A LETTER TO LORD GRENVILLE, ON THE EFFECTS ASCRIBED TO THE RESUMPTION OF CASH PAYMENTS ON THE VALUE OF THE CURRENCY.

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CONTENTS.

APPENDIX.

LETTER,

&c.

My Lord,

Having adopted the form of letters for this publication, there is no one to whom with so much propriety as regards the subject, or with so much gratification as regards myself, I can inscribe them, as to your Lordship: there is no one who has taken a more distinguished part in the discussions which occurred on the great questions of the Restriction and Resumption of Cash Payments, and no one who, from personal experience, as well as from extensive research, can bring more various information to bear upon the subject, or who can better appreciate the arguments brought forward by others. And as your Lordship takes a lively interest in all that relates to the preservation of the integrity of the Currency, I venture to flatter myself with the prospect of your concurrence in the object of my present attempt.

In the discussion which took place in both Houses of Parliament, at the close of last Session, on the Small Note Bill, and in the different pamphlets and

articles of the periodical press which have appeared upon the subject of the Currency, it seems to have been implicitly assumed that Mr. Ricardo and all those who with him maintained that the utmost operation of Mr. Peel's Bill on the value of the Currency could not exceed three or four per cent., have been manifestly wrong, for that the notorious effect of that Bill had been to depress prices to an extent computed by the most moderate at not less than twenty-five per cent., but by the generality of persons at a much higher rate *.

Assertions to this effect have of late been repeated so often, and with so much confidence, while hardly any, or only a very feeble contradiction has been offered to them, that they seem to pass current and unquestioned as a part of our financial and commercial creed. These assertions, and the doctrines founded upon them, are calculated, while they remain un-

* The following quotation from Sir James Graham's "Corn and Currency, in an Address to the Land-owners," may serve for a sample of the assertions to which I allude.

"This argument and authority combine to prove the fallacy, under shelter of which, in 1819, the Bill for the resumption of cash payments passed. Mr. Ricardo at first estimated the value added to money, by the restoration of the ancient standard, at three per cent.; after experience, in 1822, he admitted it to have been ten; while Mr. Attwood and Mr. Ellice rate it at near fifty, and Mr. Baring from twenty-five to thirty; and when we come to trace the effect of the measure in its full operation, I think it will be evident on which side the truth preponderates," p. 43.

contradicted and unrefuted, not only to falsify an important portion of the history of our monetary system, but to exercise a considerable and mischievous influence on the future proceedings of the Legislature regarding the Currency.

It is with a view, therefore, as well to guard the public against all projects founded upon those doctrines for depreciating the value of the Currency, as to vindicate the opinions delivered in 1819, by the promoters of Mr. Peel's Bill, that I am induced to take up my pen.

I have already, indeed, in a work published some years since, adduced reasons which I then thought, and still think, sufficient to justify the conclusion that Mr. Peel's Bill was wholly inoperative in the restoration of the value of the Currency. From the continued prevalence, however, of the opinions which it was the object of that work to combat, it is clear that the arguments contained in it are either little known, or not deemed to be conclusive. But I have additional facts bearing on the subject, and I am not without hopes that I may succeed in placing the general argument in points of view in which it has not hitherto been considered.

The assertions and assumptions to which I allude, and which it is my present purpose to controvert, are to the following effect, viz. :—

That the provisions of Mr. Peel's Bill, rendering it incumbent on the Directors of the Bank of England to make preparations with a view to the resumption of cash payments within the period prescribed, had the direct and necessary effect of contracting the circulation; and that the contraction which did take place was such, in order of time and in degree, as to account for the whole of the fall in prices, there not being at the same time any other causes sufficient to account for such fall.

Now, I think I can satisfactorily make out—

1. That a contraction of the Currency was not a necessary consequence of, nor, in point of fact, produced by, Mr. Peel's Bill, or by any anterior preparation on the part of the Bank, with a view to cash payments: for that, according to the rules by which the Bank regulated its issues, there is every reason to believe that, without any reference whatever to that Bill, or to any anterior preparation, the circulation of the Bank of England notes and coin together, would have been neither more nor less than it actually has been.

2. That the assumed contraction of the circulation did not occur in such order of time as to justify the assignment of such contraction as the originating or moving cause of the fall of prices, even supposing that there were no other adequate causes to account

for it; but that the fall of prices does admit of being explained by circumstances affecting the supply relatively to the demand, as regards commodities, independently of any alteration in the amount of the Bank circulation.

The present letter will be entirely devoted to the developement of the former of these propositions. The latter will form the subject of another letter.

Section I.—*On the supposed Contraction of the Bank of England Issues, attributed to the measures adopted in* 1819 *for the eventual Resumption of Cash Payments.*

It is impossible to conceive any thing more vague than the manner in which the operation of Mr. Peel's Bill is referred to by most of the speakers and writers on the subject. By almost all of them the operation of that measure is confounded and used synonymously with the restoration of the value of the paper to its metallic standard. This restoration, however, of the value of the paper had already taken place in 1816 and 1817, and the subsequent deviation had lasted only a few months.

But the persons who attribute enormous evils to the restoration of the value of bank-notes previous to 1819, must adopt a different line of argument from that which supposes Mr. Peel's Bill to have been the great cause of derangement of the system of our Currency. This argument admits, however, as will be hereafter seen, of the same general answer. In the mean time it is to be observed, that the great majority of those who declaim on the increased value of the Currency confine their invectives to Mr. Peel's Bill, as the source of all the

evils which they lament. And it is obvious, at least, that the charges against Mr. Ricardo and the other promoters of that Bill, of having underrated its operation, must be limited to the state of things at and after the time of its passing. They are taunted with having said, that the utmost effect of that measure would not exceed three or four per cent., or, at the utmost, ten per cent. Of course they must be understood as having given their opinion prospectively. Any contraction of the circulation which had taken place antecedently to the Session of 1819 was naturally taken into consideration.

It was distinctly assumed, as well in the evidence before the Bullion Committee as in the debates upon the Bill in 1819, that the amount of Bank of England notes then in circulation was about 25 millions. And it was with reference to that amount that Mr. Ricardo gave it as his opinion, that little, if any contraction would be found necessary. I had occasion to give a similar opinion in my evidence before the Bullion Committee.

Now, it does so happen, that the amount of Bank of England notes in circulation, on the 26th of August, 1819, was no less than 25,657,610*l.*; and the price of gold had by that time actually fallen to 3*l.* 18*s.*, or, in other words, to the Mint price, the difference not being worth mentioning.

In that interval, viz., from February, 1819, to

August, 1819, not only was there no further repayment by Government to the Bank, but an actual increase of the advances by the latter—

On the 26th of Februay, 1819,	the advances were	£22,628,900.
26th of August, 1819,	„ „	24,528,900.

Thus the restoration of the value of the paper had taken place without any reduction in the amount of Bank of England notes, and without any further repayment by Government.

This was not a nominal fall in the price of gold, actual purchases having been made at the quotations. The exchange with Paris had risen rapidly from 23.50, which it had been in February, 1819, to 25.10 in August following. In the interval, not one of the ingots provided by the Bank, and which the holders of bank-notes were entitled to demand at the rate of *4l. 2s.* per oz., was called for as a matter of business, although it is said that one or two were applied for as a matter of curiosity. And as from the state of the exchanges, which had already reached par, and were still rising, there could be no doubt of a further influx of bullion in the actual state of the circulation, it was perfectly clear that no reduction of the amount of bank-notes was necessary, at that time at least, to comply with the provisions of Mr. Peel's Bill. No part of those provisions had influenced, in the slightest degree,

the operations of the Bank* since the passing of the Bill, or even since the appointment of the Committee — no repayments by Government in that interval,—no refusal or limitation of discounts,—no calls upon the Bank for gold at the prices of the scale fixed by Mr. Peel's Bill.

In what conceivable way, then, can it be maintained that Mr. Peel's Bill operated in obliging the Bank to curtail its issues, with a view to prepare for cash payments? And after the rise of the Paris exchange to and above par, with an influx, consequently, of gold, what possible motive could the Bank of England have to reduce its issues? None, certainly. But a reduction of bank-notes did take place in the six months following August, 1819, and the average of February, 1820, was somewhat more than one million and a half below that of August, 1819. Whether this reduction of bank-notes was compensated by an equal issue of sovereigns, or whether the issue of sovereigns, to which the Governor of the Bank alluded in his speech at a Court of Proprietors, of 21st March, 1822, did not

* The Bank did, indeed, object to make the usual advances on the Scrip, for the loan in 1819: but all pressure on the money-market had by that time ceased; and if it had not, the only effect of the measure would have been to increase the applications for discount to the full extent to which the scrip receipts would otherwise have been lodged, so that the circulation would in all probability have been the same.

take place till after February, 1820, is immaterial to my present argument, viz.,—that the reduction was not rendered necessary by the provisions of Mr. Peel's Bill.

The state of the exchanges in August, 1819, and the influx of gold which they insured, proved that no reduction of circulation was required for the eventual resumption of cash payments. The reduction, therefore, can only be accounted for on one of two suppositions: either that the Directors designedly and forcibly contracted the circulation with a view to prepare for paying in gold; in which case, as for the reasons stated, such contraction was unnecessary, and would involve the charge of mismanagement which Mr. Ricardo made against them* on that specific ground; or the Directors were simply passive in the regulation of their issues, following the routine by which they were guided previously to 1819. The latter was the fact.

From the fall in the market rate of interest, and the little inducement to speculation, the applications for discount of mercantile bills fell off rapidly: these stood at about eight to ten millions in Feb. 1819, and it is probable that they were reduced to half that amount by the end of the year; not from any

* See Mr. Ricardo's speech on Mr. Western's motion concerning the Resumption of Cash Payments, 12th June, 1822.

disinclination on the part of the Bank to grant the accommodation, but from want of inducement on the part of the merchants to give five per cent. when they could readily obtain discount through private channels at one or two per cent. less. And as Government, from the improved state of the finances, required no further advances from the Bank, (supposing that the latter had been disposed to grant them,) there remained no medium for maintaining the circulation of Bank notes but the purchase of bullion, and possibly a reduction of the Government balances. It is owing to these two channels for the issue of notes by the Bank, that the circulation was not more reduced*.

* It may be urged that the Bank might and ought to have reduced its rate of interest on mercantile bills, in order to keep up the amount of its issues through that channel, or to have bought Exchequer Bills in the market at a premium. How far it might have been expedient to adopt either or both of these modes, I will not now stop to discuss; to have done either would, at any rate, have involved a departure from their ordinary rules, and it would have been difficult for so unwieldy a body to abandon suddenly its established habits, without the risk that its efforts might be too great in the opposite direction. The event proves that they might have ventured upon a considerable effort for enlarging their issues; and Mr. Ricardo was entitled to contend that they ought to have made this effort, and that if they had, the alteration in the value of the currency would not have been so great as it proved to be. My own opinion is, that the Directors were right, under the circumstances, in not deviating from their regular course till after they had actually resumed cash payments. And I am not at all sure that any evil consequences did arise from their having

The question, whether any contraction at all took place subsequently to the passing of Mr. Peel's Bill, is confined to the six months following August, 1819; for, according to the following declaration of the Governor of the Bank of England, at a Court of Proprietors, held on the 21st March, 1822, the issues of the Bank were greatly extended in the two years following March, 1820:—"If," said he, "the Bank had erred, it was not on the side of a reduction of the circulating medium; for, on looking at the amount of their issues, he found that, on the 9th March, 1822, their issues exceeded, by the sum of 3,859,000*l.*, those of the same date in the preceding year; and that the latter, viz. the 9th March, 1821, exceeded the issues of the 9th March, 1820, by the sum of 3,440,000*l.* It was, therefore, quite clear that the repayment of the Government debt, called for in July, 1819, did not induce the Bank to diminish their issues, for they had been increasing them in the years which had since followed*." In answer to a question from a Proprietor, the Governor

adhered to their ordinary rules. If, at the close of 1819, they had *forcibly*, that is, by a departure from their ordinary rules, extended their issues, they would have hastened the fall in the rate of interest, and would so far only have hastened the inducement to Government to diminish its unfunded debt, and consequently to repay the Bank, as it eventually did.

* *Times* of March 22, 1822.

added :—" That the amount of issues from which he had quoted, of course, included the sovereigns issued by the Bank."

According to this declaration, the amount of the circulation, as emanating from the Bank of England, and forming the basis of the Currency, stood thus :—

Amount of bank-notes, 11th March, 1820 . . .	£22,719,732
Add increase by the 9th March, 1821	3,440,000
Issues on the 9th March, 1821	£26,159,732
Increase by the 9th March, 1822	3,859,000
Total on the 9th March, 1822	£30,018,722

Now, this authority is quite sufficient to establish the fact, that, as far as regards the Bank issues, constituting the basis of the circulation, there was a considerable increase of the amount, notes and sovereigns together*, (and from the state of the exchanges the whole of the sovereigns must have remained in the country,) between March, 1820, and March, 1822, as compared with the amount at the time of the passing of Mr. Peel's Bill; and this interval of two years being that

* I am aware that this statement of the Governor has been controverted by Mr. Mushet, on the Currency, p. 112, although not, as it appears to me, on sufficient grounds; but as he admits some, although not so large an increase, and as it is sufficient for my argument, that there was no diminution of the Bank issues, paper and coin together, it is superfluous here to examine the grounds of difference.

in which the principal phenomena of the fall of prices, and the general depression ascribed to the operation of Mr. Peel's Bill, occurred, it is of no consequence to the general argument, whether there was or was not a small reduction in the amount of the Bank issues in the six months between August, 1819, and March, 1820.

It appears, then, from this statement, that, as far as regards the Bank of England issues, there was not only no contraction of the circulation following the passing of Mr. Peel's Bill, but an actual increase of the amount (with the trifling exception of the six months following August, 1819) down to 1822. The mere amount of bank-notes was certainly diminished, but that diminution was more than compensated by the issue of a larger amount of coin; and whatever coin was issued in that interval must, as already observed, have remained in circulation, because there would have been a heavy loss on its exportation.

The restoration, therefore, of the value of the paper to its metallic standard, having taken place within six months after the appointment of the Bullion committee, and within three months after the passing of Mr. Peel's Bill, no reduction of the amount of bank-notes having taken place in the interval; and the final resumption of cash payments having

taken place in 1821-2, after a substitution of sovereigns for Bank of England £1 notes, coincident with an increase of the issues, of paper and coin together, from the Bank, Mr. Peel's Bill must be pronounced to have been wholly inoperative in producing any contraction, none having occurred, in the amount of the Bank circulation.

But it has been urged, that the provisions of Mr. Peel's Bill, by directing a repayment to the Bank of a certain amount of its advances to Government, necessarily occasioned the withdrawal of bank-notes from circulation to that extent. I am quite prepared to admit that the repayments by Government to the Bank would have the effect of diminishing the circulation, if there were no other channels through which the bank-notes cancelled by such repayment, admitted of being re-issued. But it is evident that, if the authority which I have quoted is to be relied upon, there were other channels, including the purchases of gold, by which the sums, repaid by Government, were re-issued; and the main question is as to the total amount of the Bank circulation, and not the manner in which the issues were made.

It may still be contended, however, that if the repayments had not been made, the circulation of the Bank of England might have been larger by that amount. This does not exactly follow, as I think I

could show. It would, however, lead too far to enter upon that point. It is sufficient here to observe, that Mr. Peel's Bill cannot, with any fairness, be charged with having rendered necessary the repayment of any part of the Bank advances (taking the amount of them as they stood in February, 1819), beyond what would, in all probability, have been made by 1822, if that measure had not passed.

When the provisions of Mr. Peel's Bill, directing the repayment of 10 millions to the Bank, were discussed in Parliament, it was proposed by some members, that the *time* of repayment should be strictly prescribed. But this was objected to by ministers as being liable to inconvenience; and it was objected to by Mr. Ricardo, because he considered, and, as the event proves, justly, that such repayment might not be necessary, or even desirable. The time, therefore, of repayment, was left open to arrangement between the Bank and Government.

How little influence Mr. Peel's Bill had in hastening such repayment, has been seen by the statement at page 8, where it appears that, by August 26, 1819, the amount of advances was actually increased by nearly two millions, compared with that at which they stood on the 26th February, 1819. These two millions were repaid by the 26th February, 1820, when the amount stood at 21,920,900*l.*, nearly the same as it had done a

twelvemonth before; and I have to repeat, as it is a most important fact, that the enlargement of the amount of advances between February and August, 1819, (being within little more than two millions and a half of the highest amount at which they stood in 1817,) took place coincidently with a rapid rise of the exchanges, a restoration of the paper to par, and a decided tendency of gold to flow into the country.

The repayments which took place subsequently to 1819, were clearly not necessary or desirable to the Bank. The exchange, at short, on Paris on the 3d March, 1820, was quoted 25.20, and by the 4th July following, it rose to 25.80. This rapid rise insured a great influx of gold, and proved that the circulation required, at least, no reduction. It would, therefore, have argued great mismanagement on the part of the Bank Directors, if they had, under such circumstances, urged the repayment from Government, as the means of enabling them to pay in gold; and the promoters of Mr. Peel's Bill would not have been accountable for the consequences of such mismanagement.

But I do not impute to the Bank Directors of that time such ignorance of their position. The presumption is, that it then suited Government, in its financial arrangements, to reduce the amount of the

unfunded debt, which was inconveniently and dangerously large; and the opportunity for such reduction presented itself in the great fall in the market rate of interest and the rise of the funds, which occurred between 1820 and 1822, in which interval the repayment was completed.

Whether, therefore, the repayments by Government had produced an actual diminution of the Bank issues, (which they did not,) or whether they prevented such an enlargement of the circulation as might otherwise have taken place, (which they possibly did,) in neither case could the effect be imputed to Mr. Peel's Bill, as it is highly probable that such repayments were regulated mainly by the financial views of Government; and it would be a new and somewhat dangerous doctrine to contend that Government ought to enlarge or diminish the unfunded debt, not according to views strictly financial, but according to their notions of the proper amount of the circulating medium.

The inference from the preceding facts and reasoning is, that Mr. Peel's Bill had no influence whatever on the Bank circulation.

In comparing the state of things which followed Mr. Peel's Bill, with what it might have been, if that measure had not been introduced, I am supposing

the adoption of either of the alternatives which presented themselves at the time, putting out of the question the degradation of the standard. These alternatives were, first, To continue the restriction as it had been from time to time extended, for one, two, or three years further, without any intermediate payments in gold at a fixed price ; or, secondly, To leave the continuance of the restriction to the convenience and discretion of the Bank Directors ; they engaging, according to their own suggestion, in the mean time, to pay their notes in gold, if required, at the *market* price.

The debates upon Mr. Peel's Bill turned chiefly upon the compulsory clauses enforcing the payment of bullion according to the scale. These clauses were considered objectionable, as being calculated to oblige the Bank forcibly to contract its circulation, for the purpose of paying in bullion at the prescribed periods; and any very strict limitation of time for the eventual resumption was objected to by the friends of the paper system on the same ground. But to the principle of the eventual restoration of the value of the paper to gold at 3*l*. 17*s*. 10½*d*. per oz. there was a pretty general assent, the chief exception being Lord Folkstone, who proposed to take the depreciation as it then stood, and to degrade the standard to the market price of gold, viz. 4*l*. per oz., and

Mr. Hudson Gurney, who considered that the standard ought to be altered*.

* If I succeed in showing that the value of the Currency was restored without the operation of Mr. Peel's Bill, I may, of course, pass over altogether the question of the expediency of debasing the standard. Even if the reasons for attempting such a measure in 1819 had been of any force, the mere fact that it was not then adopted puts it out of the pale of discussion with all persons who are not prepared to produce anew the very same evil which has been so much complained of, to wit, a disturbance of all contracts, and a change in the value of all fixed incomes. In fact, the scheme is now entertained by none but those who are quite careless of consequences, and consider the maintenance of faith with all creditors, public or private, and the security of every business of life, as of trifling importance, compared with reducing the incumbrances of landlords. Even in 1819, when it might have been entertained as a means of *settling*, and not as now of *unsettling* the value of the Currency, the difficulty of choosing any one degree of depreciation rather than another, after the old standard should be once abandoned, compelled many to be favourable to Mr. Peel's Bill in practice, who were far from being so in principle.—This is well illustrated by the following quotation from the speech of Mr. Denison, in the debate in the House of Commons on the Scottish Bank-note bill, last Session :—

" What would have been the proper course to take in 1819 ? To have altered the standard. Such a measure would have prevented the ruin of the farmer, the tradesman, and the artisan ; or, at least, it would have diminished the pressure upon them. The cause of all the evils which we had endured, and which we are still enduring, was the fatal policy of contracting a large debt in one description of currency, and trying to pay it in another. I may be asked, why, if I felt this so strongly, if I was convinced of this expediency of altering the standard, I did not myself bring forward such a proposition ? The truth is, that the question was one of such difficulty, that I may well be pardoned for having shrunk from it. But it is well known to many Hon. Members, that my Hon. friend, the late Member for Coventry, and myself, did, in 1819, bestow great attention on the subject, with a reference to bringing it under the consideration of the

Whichever of the alternatives before referred to had been adopted, the same result, as relates to the amount of the circulation of Bank paper, the time of the restoration of its value, and the final resumption of cash payments, would have occurred as the inevitable consequence of the state of things which existed, independently of the Currency, in 1819 and 1820.

I refer to the fall in the market rate of interest, and the consequent contraction of the channel for the issue of bank-notes through the discount of mercantile bills—the improved state of the finances, which enabled and induced Government to diminish the unfunded debt—the large sums due from abroad, for the unusually extensive exports of 1818, the means of returns, excepting in gold, being at the same time abridged by the shutting of our ports against the importation of corn, and by the glut which prevailed here of other foreign products, in consequence of the large importations of 1818

House; but that we found it a matter of such difficulty that we shrunk from it. I will also candidly admit, that we could not exactly agree as to what ought to be the amount of the standard. I was of opinion that it ought to be 4*l.* 10*s.*, or 4*l.* 15*s.*, while my Hon. friend, concurring with a noble Lord in the other House, thought that it ought to be 5*l.* 5*s.*, or 5*l.* 10*s.* The current appeared to run so strong, however, against either proposition, that it was abandoned."—See *Mirror of Parliament*, part xvii., pp. 1775, 6.

— these circumstances combined to determine the tide of the metals so strongly into this country, that nothing but a very unusual effort on the part of the Bank, involving a departure from its most settled habits, in *forcing* a greatly increased issue of its paper, could have prevented, or even materially have retarded, such influx. Instead, therefore, of any effort being requisite on the part of the Bank to comply with the provisions of Mr. Peel's Bill, it would have required an extraordinary effort to render them operative. *

* Mr. Ricardo does not appear to me to have sufficiently appreciated this state of things, when he charged the Bank Directors with mismanagement in having prematurely and unnecessarily enhanced the value of the Currency by their large purchases of gold after the passing of Mr. Peel's Bill. His mode of expression conveys the idea that the Directors made an effort to buy gold; that they created a demand for it by a designed reduction of their issues for that specific purpose. Now, the truth is, that they were perfectly passive, and moved only in the ordinary routine of their business: they bought gold simply as it was brought to them at or below the Mint price. And it was a matter of indifference as concerned the amount of the Currency, whether the gold were taken by the importers to the Mint, and thence brought directly into circulation as coin, or were taken in the shape of bullion to the Bank in return for its notes.

In the House of Commons, upon a discussion on the subject of the Currency, 12th June, 1822, Mr, Pearse, (one of the senior Directors of the Bank,) said, " That the Honourable Member for Portarlington (Mr. Ricardo) had charged the Bank with error and indiscretion, in having become too extensive purchasers of gold, in consequence of the passing of the Act of 1819. The fact was, that the Bank were quite passive in taking the gold from the merchants who offered it for their purchase. The consequence, however, had been, that

But if Mr. Peel's Bill was thus inoperative, and therefore innocent of all the evils which have been so abundantly and with so much superfluous eloquence laid to its charge, it may be asked, what was the merit of the Bill, and what was the ground of the importance attached to it by its promoters—seeing that the same result would have attended any of the alternatives proposed, an alteration of the standard only excepted?

The merit of Mr. Peel's Bill was, as it has since turned out, independent of the event. That merit consisted in the sanction which it afforded to the principle, that the Bank has the power, by the regulation of its issues, to preserve the value of its paper on a level with that of gold: and the importance attached to the Bill by its promoters, is fully justified by the consideration that, at the time when it was under discussion, there was fair ground for contemplating circumstances under which the compulsory clauses of the Act would come into operation.

Among the numerous contingencies which might have rendered Mr. Peel's Bill operative in con-

bullion had been paid whenever it had been demanded; that an issue of ten or eleven millions of gold sovereigns had taken place. Ever since he had been connected with the establishment, he had been invariably against all forced or artificial measures."—HANSARD'S *Parliamentary Debates*, *June* 12, 1822, p. 954.

tracting the circulation, a few, involving no very great improbability, may be noticed. The harvest in 1820, proving *deficient* by more than a fourth, (instead of being, as it was, *productive* by more than a fourth above an average,) and the consequent opening of the ports to a very large importation of corn—speculations upon deficiency of cotton or of other imported commodities—any great financial operation of the French government,—or an earlier direction of capital in mining schemes, and loans to South America.

Some of these separately, but more especially if combined, would, in an advanced state of their progress, have created such a mass of mercantile paper, and such a demand for the employment of borrowed capital, as materially to raise the rate of interest. The applications for discount at the Bank would have been greatly increased; and the same cause, viz. a rise in the rate of interest, would have made it difficult, or at any rate very inconvenient, for Government to make any repayment of its advances; or it might, under such circumstances, have been induced to ask for further accommodation. But while in this state of things there would have been an increased demand for paper, a tendency to an efflux of the metals to answer the sudden call for payments abroad, before any return for increased exports of

commodities could meet that call, would have indicated the expediency of contracting the circulation.

In such case it is that Mr. Peel's Bill would have been operative. The Bank Directors could not then, without putting themselves out of condition to conform to its enactments, have granted accommodation in the way of discounts to the extent of the applications for it; and instead of making further advances to Government, the early repayment of the amount contemplated by Mr. Peel's Bill must have been rigidly insisted on.

The limitation of discounts below the sums applied for, and the necessity which government would be under of raising a loan, or of issuing Exchequer Bills at a higher rate of interest to enable it to make the repayment, would have produced a great deal of mercantile pressure and distress. This state of things would have been compatible, as it was in the spring of 1796, with a high price of corn. Although, under such circumstances, Mr. Peel's Bill would have been strictly and severely operative upon *other* classes, the *landed* interest, so long as the prices of agricultural produce were maintained, would not have made the discovery that it was a measure calculated to diminish the value of all property.

It is curious to remark, that the state of things

which really rendered Mr. Peel's Bill inoperative for the first few years after its enactment, should have been taken as the specific ground for the clamours against it, while, under the opposite circumstances, when it would have been strictly coercive, there would not have been the slightest pretence for the complaints of those who have been most violently opposed to it.

Section II. — *On the supposed Influence of Mr. Peel's Bill in contracting the Country Circulation.*

As regards, then, the issues of the Bank of England, there appears to be no ground whatever for the assertion, that they were contracted by the operation of Mr. Peel's Bill. But it is contended by some of the opponents of that measure, that, although it had not the effect of reducing the issues of the Bank of England, it greatly contracted the issues of the country banks, and thus occasioned the subsequent fall of prices. That a considerable contraction of country bank-notes took place subsequent to the passing of Mr. Peel's Bill I am perfectly willing to admit, and that this contraction accompanied the fall of prices which occurred between the beginning of 1819 and the close of 1822 may be equally conceded. But how that contraction was occasioned by Mr. Peel's Bill, has, in no instance, been satisfactorily shewn.

The commonly-received opinion, which indeed has been sanctioned by that of the Bullion Committee of 1810, is, that the variations in the amount

of country bank-notes depend essentially upon, and usually follow, the variations in the amount of Bank of England issues. If this were so, the argument against the assumed operation of Mr. Peel's Bill on the country circulation would be simple and conclusive. If the country banks are so controlled in their issues by the circulation of the Bank of England as to follow that circulation in regular order of time and in proportion of amount, then it is clear, that the assignment or negation of any cause influencing the amount of Bank of England issues, must apply to the circulation of the country banks. And as Mr. Peel's Bill has been shewn to have had no influence on the circulation of the Bank of England, it would follow, that it was inoperative on the issues of the country banks.

But there are facts innumerable, to prove the absence of any immediate or direct influence of the Bank of England issues on the circulation of the country banks. Indeed, the instances of divergence are more numerous than those of coincidence. And on several occasions the tendency of the Bank of England, and of the country bank circulation, was in opposite directions*. Thus, to go no further

* It is not here meant to deny that the Bank of England has it so far in its power to control the issues of the country banks, as, by a

back than the year immediately preceding that of the passing of Mr. Peel's Bill, while the Bank of England, in 1818, reduced its circulation by nearly three millions, the country banks extended theirs, according to all the computations hitherto made from the number of stamps issued in that year*, by upwards of four millions.

forced reduction of its own paper for that specific purpose, to compel the country banks to reduce theirs. All that I contend for is that, administered as the Bank has been, and under its ordinary rules, the country bank circulation may fluctuate largely, while the Bank of England paper is uniform ; and that the variations may be, as they often have been, in opposite directions.

* The only materials from whence any estimate can be made of the amount of the country circulation, consist in the number of stamps issued. As the notes are re-issuable with the same stamps, and as no allowances are made for such as are retained by the country bankers for contingent use, or for such as are, soon after their issue, withdrawn from circulation by failure of the bankers or other causes, nothing can be more vague than any attempt at computing the amount of notes actually in circulation. The subjoined statement gives the number of stamps and two computations, the one by Mr. Sedgwick (as stated in the Bullion Report), and the other by Mr. Joplin (in his pamphlet on the Currency in 1825), of the amount in circulation to be inferred from the stamps :—

		Computation of Amount.	
	Stamps.	Mr. Sedgwick.	Mr. Joplin.
1817,	9,075,958	15,898,000	23,124,373
1818,	12,316,868	20,507,000	27,816,292
1819,	6,130,313	17,366,875	27,033,139
1820,	3,574,894	11,767,391	21,532,075
1821,	3,987,582	8,414,281	13,202,789
1822,	4,217,241	8,067,260	11,779,817
1823,	4,657,589	8,798,277	12,862,512
1824,	6,093,367	10,604,172	14,968,297
1825,	8,532,438	14,147,211	18,915,771

On the other hand, in the interval from 1819 to 1822, but more especially after the close of 1820, while the circulation of the Bank of England, including the sovereigns issued as a substitution for its one pound notes, was rather increased than diminished, that of the country banks is supposed to have undergone a great reduction. The degree of reduction is variously computed, although all accounts concur in stating it to be very considerable after 1819. I am ready to admit it to the utmost extent that can be claimed, but still I contend that such reduction was not produced by Mr. Peel's Bill, but was the result of circumstances which were totally distinct from any operation of that measure, and which rendered it morally impossible for the country banks to keep up their issues.

Of the circumstances which favour an extension of the country bank circulation on the one hand, or repress it on the other, I have already given an explanation at some length in a former work. It will have been seen by that explanation, that it is of the nature of the circulation of country banks to be extended under circumstances favourable to a general speculation upon the *prospect* of an advance of prices, more especially as regards agricultural produce, or upon the opening of any new fields for enterprise, and to be diminished with the cessation or absence of any

adequate grounds for such speculation *. Now, at the time immediately preceding the passing of Mr.

* The supposition of an immediate dependence of the country bank circulation on the circulation of the Bank of England, and of a consequent correspondence in a greater or less ratio in the variations of the former with those of the latter, is founded upon the reasoning of which the following passage of the Report of the Bullion Committee of 1810 may be considered as an epitome. "If an excess of paper be issued in a country district, while the London circulation does not exceed its due proportion, there will be a local rise of prices in that country district, but prices in London will remain as before. Those who have the country paper in their hands, will prefer buying in London, where things are cheaper, and will therefore return that country paper on the banker who issued it, and will demand from him Bank of England notes or bills upon London; and thus, the excess of country paper being continually returned upon the issuers for Bank of England paper, the quantity of the latter necessarily and effectually limits the quantity of the former." As far as this reasoning goes to point out the check which is constantly operating to prevent a rise of prices in a country district from an excess of local paper, while London prices remain as before, it is undoubtedly correct; and the same reasoning applies, to prove the impossibility of any rise of importance in the country generally, from extended issues of the local banks without a rise in the London prices. In fact, a speculative advance of prices generally originates in London, and then it affords the means and inducement to an extension of country bank paper. But in some instances the rise of prices in London, as well as in the country, has taken place without any contemporaneous increase of the Bank of England issues, and the eventual fall has occurred in the face of a great extension of Bank of England paper. The error, therefore, of the reasoning in the preceding extract, is in the assumption that the whole amount of the London circulation is commensurate or identical *at any given time* with the Bank of England paper circulating in the metropolis, and accordingly the conclusion that a demand upon the country bankers for bills on London is equivalent to a demand for Bank of England notes and requires an increase of these to support extended issues of the country

Peel's Bill, there was a cessation, from causes totally independent of that measure, of obvious grounds for extensive speculation of any kind. And after the summer of 1820, when the extraordinary productiveness of the harvest began to be appreciated, there was not only no reasonable ground for speculating on an advance of the price of corn, but a well founded apprehension of a fall. There was, accordingly, a greatly diminished inducement to farmers, with a view of being enabled to hold, and to dealers and millers with a view of being enabled to increase their stock of corn, to obtain advances from the country banks. The inducement was rendered still less by the high rate of interest which these continued to charge long after the general rate had fallen to

bankers, is incorrect, as referring to any limited period. In the explanation which I gave in a former work, (*High and Low Prices*, Part I. Sec. 7.), of the expansive and contractile nature of the country and London circulation, independently of any alteration of the amount of Bank of England notes, I referred only in general terms to the London circulation as being susceptible of great enlargement or contraction through the medium of more or less of resort to the use of credit. I am indebted to my friend Mr. James Pennington for the means of making my conclusion on this point more complete. He has addressed a paper to me, noticing an analogy, which has not, as far as I am aware, before been distinctly observed, between the book credits of the London bankers and the promissory notes of country banks. The point is so important, and bears so much upon the present subject, that I am induced, with Mr. Pennington's permission, to insert the paper containing his views upon it, and upon one or two topics connected with it, in the Appendix.

four, and even three per cent *. Independently, then, of the other causes which have been noticed as tending to diminish the demand for country notes, the mere fall in the market rate of interest below that charged by the bankers would account for a considerable degree of contraction of their issues.

It was, therefore, the operation of the high rate of interest charged by the country bankers, and the little inducement, with perhaps diminished means, and consequently reduced credit on the part of their customers to borrow, that so greatly contracted the country circulation in the years 1820 and 1821; when Mr. Peel's Bill had ceased to be talked of, or even to be thought of. These causes operated in contracting and keeping down the circulation of country paper till the commencement of 1823, when, from the state of the corn trade, which I shall have occasion to notice hereafter, there was an increased inducement for the employment of monied capital among persons engaged in that very extensive branch of commerce. And as the largest proportion of that class of persons are customers of the country

* It is exactly the same cause which reduced the discounts of the Bank of England in 1820, 21, and 22, to a most insignificant amount, and which induced the Directors to resort to other expedients for getting out their notes.

banks, they naturally afforded, under these circumstances, an extended channel for the issue of local notes*.

I do not mean to say, that the absence or diminished number of borrowers is at all times the only cause of a diminished circulation of country notes. In times of commercial revulsion, the country bankers may, and commonly do feel the effect of the general discredit, by having their notes occasionally rejected, on the score of distrust of the solidity of the issuers. And, in the cases in which extensive failures of country bankers have occurred, a chasm has been created in the circulation of local notes, which has admitted, and even required an extension of Bank of England issues to fill it. If, therefore, Mr. Peel's Bill could be shown to have produced any great commercial revulsion which affected the credit of the country bankers, so as to disable them from accommodating applicants who had adequate security to offer, or to induce them to call in the advances already made,—then, indeed, some effect, although

* Mr. Hudson Gurney, on being asked by the Bullion Committee of 1819—"What determines, in your opinion, the fluctuations in the amount of country bank paper?" answers: "The price at which the staple commodity of each district is selling: for example, I consider that our circulation would increase with a high price of corn, and would decrease with a low price of corn: corn being the staple of Norfolk."

of very short duration, might be ascribed to that measure in the contraction of the circulation which took place. But, although there were several extensive failures of mercantile and manufacturing establishments in 1819, the greater number of these had already been embarrassed by the general stagnation which occurred at the close of 1818, in consequence of the overtrading of that and the preceding year. And, upon the whole, the commercial failures in 1819, were neither so numerous nor extensive as might have been expected from the alteration of prices, and from the extent of the previous overtrading.

But as to failures of country banks, there were hardly any, and none of any consequence, at the period of the passing of Mr. Peel's Bill, or for a considerable time after*. Indeed, it would be difficult to point out an interval of equal length, in which there were so few, or in which the country banks enjoyed fuller credit than they did in 1819, and in the four or five years following, or had larger balances in the hands of the London bankers. It was not, therefore, from want of credit, or from any deficiency

* This comparative stability of commercial, but more especially of banking credit, may be ascribed to the circumstance that the great failures which had occurred in 1814-15-16, were still recent, and had cleared away the greater part, if not the whole of what had been rotten or unsound in trade and banking, so that the losses arising from the overtrading of 1818 fell on establishments that could bear them.

of power to make their usual advances, but simply from want of demand, upon adequate security, for their notes, that they were under the necessity of limiting their issues.

It may here be objected, that the diminution of demand for the country notes might arise not only from the causes stated, but from the distressed condition of the farmers, in consequence of the fall of prices, which must so far diminish the number of applicants for accommodation having good security to offer. This may be granted without proving anything in favour of the assumed operation of Mr. Peel's Bill. I have always admitted, that a fall of prices diminished the ability of many of the usual customers of the country banks to borrow to the same extent as before such fall; and that, therefore, the contraction of country paper was a consequence of the fall, and became in its turn an accelerating cause. Whereas, the argument which I have been combating supposes that Mr. Peel's Bill operated directly in originating the contraction, and that such contraction was the immediate and only cause of the fall of prices.

In fact, the circumstances of 1820 to 1822 were, as regards the state of the country and London circulation, very similar to what they were in 1827 and in the early part of 1828. The country bankers had large balances in the hands of their London bankers;

and these, having larger deposits than usual from their town as well as country customers, were at a loss for the employment of their funds, and were thus compelled to hold unusually large reserves, getting only a very low rate of interest for what they could employ, and lodging the very considerable sums which they could not employ, in the Bank of England.

It may, however, be contended, that though the general provisions of Mr. Peel's Bill for the resumption of cash payments had not any material influence in the reduction which took place in the circulation of the country banks from 1819 to 1822; yet, that the particular part of the enactment which enjoined the suppression of the 1*l*. country notes in 1823, was calculated to produce a considerable effect, by inducing country bankers to make preparations for withdrawing that portion of their paper.

The importance of the country 1*l*. note circulation, upon the value of the whole of the currency, or, in other words, its influence on prices, has been, and is, in my opinion, extravagantly overrated. But whatever may be the importance of that part of the circulation, the provisions which related to it in Mr. Peel's Bill did not practically come into operation, inasmuch as that clause of the Act, which directed the suppression in 1823, was repealed in June, 1822. And there is no reason whatever to suppose that any curtailment of that description of notes had taken

place, with a view to the provisions of Mr. Peel's Bill, previous to the prolongation of the term. Had such curtailment taken place before the bringing in of the Bill for continuing the circulation, a proportionate enlargement would of course have occurred immediately after such prolongation; whereas the amount did not reach its lowest till some months after the passing of the Act for continuing for ten years longer the circulation of country 1*l.* notes. The rise in the price of corn, which is so generally ascribed to the supposed influence of the prolongation, the Bill for which was passed in the spring of 1822, did not take place till more than six months after, and may be traced to causes totally distinct from that measure. There is as little ground, therefore, for imputing to Mr. Peel's Bill the contraction of this, as of the rest of the circulation of country notes*.

* If Ministers had been weak enough, last Session, to yield to the clamours of the country bankers, for a prolongation of the circulation of small notes beyond April next, the rise in the price of corn, which took place so soon after the adjournment, would inevitably have been attributed, in great part, if not wholly, to the influence of the 1*l.* notes. We have fortunately been saved, not only from the more substantial evils of the continuance of that system, but from the false inferences to which the coincidence of the prolongation of it with the return of high prices would have given rise. And there has been this further advantage from the approaching suppression of the small notes—that the apprehension of the effects of the measure in cramping the circulation, and in increasing the value of the currency, operated in a certain degree to check the tendency to general speculation, which the deficiency of the last harvest was calculated to engender.

Section III.—*On the general state of the Circulation of the Bank of England during the Restriction.*

The argument, thus far, against the supposed operation of Mr. Peel's Bill, in producing a contraction of the Currency, appears to be conclusive; and may, it is presumed, be considered a full vindication of the correctness of the opinions expressed by the promoters of that Bill.

But many of the writers and speakers who are opposed to that measure, as if conscious of the weakness of their ground, frequently shift their position, and refer to periods anterior to the passing of Mr. Peel's Bill, or to the appointment of the Bullion Committee of 1819, for the origin of the evils which they ascribe to the restoration of the value of the Currency. According as it suits the purpose of their argument, they fasten upon Mr. Peel's Bill, or they abandon it for a more general ground. They contend, that, in every instance of a fall of prices, and consequent distress, subsequent to the termination of the war, such fall is to be ascribed wholly to a contraction of the Currency, occasioned by preparations on the part of the Bank of England for the restoration of cash payments; and that every intermediate rise of prices,

and consequent return of prosperity, are to be attributed to a suspension of such preparation, by an enlargement of issues upon the occasional prolongation of the Restriction Act.

But it is clear that the question of preparation for cash payments on the part of the Bank, after the termination of the war, must be referred to the general system pursued by them, in the regulation of their issues, before that event. Accordingly, in nearly all the discussions upon the effects of the resumption of cash payments, a reference has been made to the state of the circulation from the restriction in 1797 till the termination of the war in 1814, as contrasted with the circulation and with prices from 1814, to the full restoration of the convertibility of Bank notes.

Now, I am ready to admit, that if the specific charge against Mr. Peel's Bill be abandoned in favour of the more general one against the restoration of the convertibility of Bank notes, our judgment must be formed upon the whole monetary history of that period. In order, therefore, not to avail myself of what might be considered a cavil, if I were to confine the discussion specifically to the alleged effects of Mr. Peel's Bill, I am prepared to enter again upon the more general ground of the effects upon the amount of the circulation and upon prices, of the system of our currency during the whole period of the Bank restriction.

I will, in the first instance, endeavour to show, that the restoration of the value of the paper must have been without the intervention of the Legislature, and without any effort on the part of the Bank—the consequence of the rules observed by that establishment in the regulation of its issues, as well during, as prior and subsequent to the Restriction.

Of the rules by which the Directors were guided during the interval in which they were absolved from the necessity of attending to the only safe guides for the correct regulation of their issues—viz. the price of gold and the state of the exchanges, the information thus far before the public is indeed very imperfect.

With the exception of the scanty materials to be gleaned from the evidence of the Directors before the Bullion Committees of 1810 and 1819, the means of judging of the working of the machinery of the Bank, are confined to the printed statements which have, from time to time, been laid before Parliament, of the amount of bank-notes in circulation, and of the advances by the Bank to Government. The advances, however, to Government form only one of several channels through which Bank of England notes are issued. The other principal channels are purchases of bullion, and discounts of mercantile bills; and it must be evident that, without a refer-

ence to the amounts issued under these heads, as well as under that of advances to Government, all reasoning must be the most vague imaginable as to what would have been the state of the circulation if the restriction had not taken place, or had not been removed.

A knowledge of the quantity of bullion in the coffers of the Bank, and of its tendency to increase or diminish, is especially important, as being indicative, with the exchanges, of defect or excess of the circulation, compared with the currency of other countries. The amount of discounts, too, is very material in considering the degree in which the issues through this channel operated, sometimes as a compensating, and at others as an aggravating cause, in determining the whole amount of the circulation. Indeed, the information to be derived under these two heads was of such obvious importance, that the Bullion Committee of 1819 required to be furnished with it; and accordingly the Directors supplied it, but in so mystical a form as greatly to detract from its use. Following the precedent of what had been done in the case of the Secret Committee of the Lords in 1797, they communicated two scales — one of cash and bullion, and another of bills discounted, for every month in each year, from January, 1797, to February, 1819, indicating the proportions only of

each, and not the actual amount. These scales were delivered to the Committees of the Lords and Commons in 1819 *, with an injunction against publication similar to that which had been imposed in 1797. The particulars of the scales delivered to the Committee of 1797 transpired very soon after they had been communicated, and appeared, first, in the Monthly Magazine, for October of that year; subsequently in Mr. Allardyce's book on the Affairs of the Bank in 1802; and, more recently, in a work which I published in 1826, on the State of the Currency.

The Committee of 1819 have more strictly observed the injunction. A copy of the scale delivered was, indeed, communicated to me some time since, but confidentially, and although I was in possession of it at the time of my last publication, I was not at liberty to avail myself of it, as I could have wished, for the purpose of that discussion. The restriction, however, from my making full use of the information in question is now removed, and it is high time that it should be so; ten years having elapsed since the last of the dates to which it refers. It is now matter of remote history; and whatever may have been the

* The scales delivered to the Committees of 1819 were stated by the Governor of the Bank in his evidence (p. 152, Commons Report), to be a continuation of, and founded upon the same principles with, those scales that were delivered to the Committee in the year 1797.

motives which induced the Bank Directors at that period to withhold it from the public, there cannot at this distance of time be even the shadow of a ground for apprehending any sinister influence on their affairs by the publication of it.

What reason they can have had against making it public in 1819, along with the other information which they supplied to the Committee of Inquiry, I am at a loss to conceive. So far, indeed, am I from thinking that any detriment can arise to the Bank from this disclosure, that I consider it a matter of regret, not only on the part of the public, but on the part of the Bank of England, that it had not long since been made, not in its cabalistical form of a scale only, but in a distinct statement of actual amounts.

The public would, in that case, have been better informed on a topic of vital importance to it; and the Bank Directors might, by a reference to such a statement, have offered a much better justification of some parts of their management during the restriction, than they did by their evidence before the Bullion Committees of 1810 and 1819. And I may here incidentally add, that the information now about to be given is likely to have the further advantage of furnishing better materials for judging of the mechanism of the Bank of England, with a view to the discus-

sions which must soon take place on the question of the renewal of the charter.

Of the correctness of the scales of cash and bullion and of discounts, in the following Table, I can speak with the utmost confidence; but I cannot vouch for the perfect accuracy of the sums supposed to be represented by the figures of the scale. These sums are the result of a computation made out according to a key derived from certain data, for the state of the Bank circulation from 1783 to 1797, explained in a table of a similar kind inserted in the Appendix to my last work on the Currency. But although I do not engage for the perfect accuracy of these sums, I have reason to believe that they are near the truth, and quite sufficiently so for all purposes of argument. And it must be obvious, that in reasoning upon a comparative view of the amount of the circulation through different channels, the inference is likely to be much more clear and satisfactory by a reference to positive sums than to a mere scale of proportions. In the following Table are comprised, likewise, the amount of advances by the Bank to Government, and the amount of bank-notes in circulation.

TABLE I.—Showing the Scale and Amount of Cash and Bullion in the Bank; of Bills discounted; and the Amount of Advances to Government; and of Bank Notes in circulation; from 1797 to 1819.

Date.	Scale.	Cash and Bullion.	Scale.	Bills discounted.	Date.	Advances to Govern-ment.	Bank Notes in cir-culation.
		Computation on the assumption of 660 denoting 4 millions.		Computed at 90, equal to 2 millions			
1797. Jan. 7			185	4,111,000			
Apr. 1	182	1,103,000	256	5,689,000	Feb. 25	9,805,123	8,601,964
July 1	632	3,830,000	253	5,622,000	Aug. 26	6,768,395	10,568,216
Oct. 7	942	5,709,000	299	6,644,000			
1798. Apr. 7	1200	7,273,000	157	3,489,000	Feb. 26	9,431,075	12,850,085
Oct. 6	1312	7,951,000	199	4,422,000	Aug. 25	9,068,237	12,191,025
1799. Feb. 1	1508	9,139,000	216	4,800,000	Feb. 26	9,706,000	12,636,145
Apr. 6	1474	8,933,000					
Oct. 5	1374	8,327,000	313	6,956,000	Aug. 26	8,609,700	13,259,873
1800. Apr. 6	1230	7,455,000	273	6,067,000	Feb. 25	12,824,900	15,236,676
Oct. 4	1000	6,060,000	283	6,289,000	Aug. 26	12,522,500	14,735,378
1801. Apr. 4	920	5,576,000	413	9,178,000	Feb. 26	14,912,700	16,577,514
Oct. 3	886	5,369,000	345	7,667,000	Aug. 26	11,571,800	14,970,321
1802. Apr. 3	822	4,982,000	357	7,933,000	Feb. 26	13,907,500	15,458,876
Oct. 2	774	4,691,000	358	7,956,000	Aug. 26	13,175,800	16,887,113
1803. Apr. 2	760	4,606,000	534	11,867,000	Feb. 26	9,219,200	15,576,932
Oct. 1	710	4,303,000	505	11,222,000	Aug. 26	13,258,500	17,035,959
1804. Apr. 7	698	4,230,000	489	10,867,000	Feb. 25	14,338,500	17,577,352
Oct. 6	1198	7,261,000	446	9,911,000	Aug. 25	14,927,700	17,323,994
1805. Apr. 6	1220	7,394,000	490	10,889,000	Feb. 26	16,826,000	17,234,466
Oct. 5	1452	8,800,000	557	12,378,000	Aug. 26	11,368,600	16,296,178
1806. Apr. 5	1102	6,679,000	615	13,667,000	Feb. 25	14,286,600	17,148,446
Oct. 4	1346	8,158,000	577	12,822,000	Aug. 26	14,068,600	17,072,893
1807. Apr. 4	1228	7,442,000	647	14,378,000	Feb. 26	13,386,800	17,205,344
Oct. 3	1302	7,891,000	636	14,133,000	Aug. 26	13,288,600	17,034,112
1808. Apr. 2	1504	9,115,000	619	13,756,000	Feb. 26	13,988,200	16,843,054
Oct. 1	1134	6,873,000	615	13,667,000	Aug. 26	14,800,800	17,365,266
1809. Mar. 4	894	5,418,000	611	13,578,000	Feb. 25	14,523,400	18,014,677
Sept. 1	728	4,412,000	676	15,022,000	Aug. 26	15,132,600	19,357,241
1810. Mar. 3	696	4,218,000	891	19,800,000	Feb. 26	14,141,100	20,429,281
Sept. 1	636	3,855,000	925	20,556,000	Aug. 25	16,813,000	24,446,175
1811. Mar. 2	666	4,034,000	701	15,578,000	Feb. 26	17,191,700	23,384,833
Sept. 7	636	3,855,000	531	11,800,000	Aug. 26	21,819,500	23,793,115
1812. Mar. 7	594	3,600,000	581	12,911,000	Feb. 26	21,675,000	22,998,197
Sept. 5	614	3,721,000	670	14,889,000	Aug. 26	21,080,900	23,482,910
1813. Mar. 6	544	3,297,000	488	10,844,000	Feb. 26	25,017,200	23,307,471
Sept. 4	542	3,285,000	543	12,067,000	Aug. 26	24,854,500	24,024,869
1814. Mar. 5	456	2,764,000	608	13,511,000	Feb. 26	23,607,300	25,095,415
Sept. 3	418	2,533,000	482	10,711,000	Aug. 26	34,937,800	28,979,876
1815. Mar. 4	406	2,461,000	615	13,667,000	Feb. 25	27,156,000	26,673,370
Sept. 2	676	4,097,000	767	17,044,000	Aug. 26	24,079,000	27,024,049
1816. Mar. 2	934	5,661,000	610	13,556,000	Feb. 26	18,988,300	25,680,069
Sept. 7	1532	9,285,000	394	8,756,000	Aug. 26	26,062,600	27,075,854
Dec. 7	1972	11,951,000	267	5,933,000			
1817. Mar. 1	1934	11,721,000	215	4,778,000			
Oct. 4	2378	14,412,000	133	2,956,000	Feb. 26	25,399,500	27,058,578
Dec. 6	2346	14,218,000	99	2,200,000	Aug. 26	27,320,718	30,099,908
1818. Mar. 7	2014	12,206,000	109	2,422,000	Feb. 26	27,002,000	28,279,048
Sept. 5	1260	7,636,000	213	4,733,000	Aug. 26	27,060,900	26,602,837
1819. Jan. 2	974	5,903,000	460	10,222,000	Feb. 26	22,628,900	25,246,700
Feb. 6	900	5,458,000	357	7,933,000	Aug. 26	24,528,900	25,657,610

The materials for filling up the columns, showing the amount of bank-notes in circulation, are taken from a Paper, dated 24 March, 1821, laid before Parliament by the Bank; and the Advances to Government, from the Appendix to the Second Report of the Secret Committees in 1819, on the Expediency of the Bank resuming Cash Payments, with the exception of the amount in August 1819, which is taken from a Parliamentary Paper.

I proceed to observe upon each of the heads comprised in this Table.

Cash and Bullion.

Under this head the following important remarks are suggested :—

1. That the Bank was in a condition to resume cash payments in 1798, when the Directors announced in the prescribed form their competence and readiness to do so. (And it is greatly to be regretted that cash payments were not, at that time, restored.) If the Bank had then resumed its payments in specie, there can hardly be a doubt, after an inspection of the table, that little, if any, effort, by which I mean, little, if any, contraction of paper would, except for a very short interval in 1800 and 1801, have been requisite for continuing its convertibility during the ten or eleven years following. The magnitude of the amount of cash and bullion on the average of the period from 1798 to 1808, is particularly observable, having been nearly 7-16ths of the amount of Bank notes in circulation.

Cash and bullion—		
April 1798 to April 1808, both inclusive		£6,892,500
Bank-notes—		
February 1798 to February 1808,	,,	£16,008,626

2. That the Bank Directors did, consequently, during that long interval, regulate their issues with a

pretty constant reference to their eventual liability to pay in specie; for what other possible motive could they have for keeping so large a part of their capital in an unproductive state * ?

3. That a considerable influx of the metals into the coffers of the Bank took place in the four years following January, 1804, and, consequently, that the price of gold during that interval, viz. 4*l.* per oz., indicated the utmost depreciation of the value of the currency†.

* They might, indeed, and I believe they did, consider themselves bound to preserve, at all events, such a stock of bullion as might enable them to assist Government with a supply upon any sudden emergency requiring extended foreign payments; but less than one half of the amount which they actually did hold, would have been sufficient for the purpose.

† It is probable that if the Bank had not, as (I think injudiciously,) bought gold at that rate, the market price might have fallen to the Mint price. The Bank might then indeed have had two or three millions less of treasure, but there would have been no depreciation of its paper. In fact, by those purchases, it actually established the value of gold beyond that of its own paper: according to its own estimation, the difference against its paper was that between 3*l.* 17*s.* 10½*d.* and 4*l.* And the holder of bank-notes who wanted gold for them, which they promised but did not pay, was obliged to make a sacrifice of that difference; in other words, they were to him of just so much less value than the gold. The following are extracts from the minutes of the Bank, (as inserted in the Appendix to the Lords' Committee on Cash Payments in 1819, page 317,) relative to the purchase of gold.

At a Committee of Treasury, 28th of March, 1804.

Resolved,—That, in the opinion of this Committee, it will be advisable to attempt an encouragement to the importation of gold, by offering a higher price than the coinage price; and that it will be right for the Bank to give 4*l.* an ounce, and to let it be known, that it will continue to give this price for three months to come.

4. That the influx of treasure between January, 1804, and January, 1808, being coincident with, or rather preceded by an increase of bank-notes, compared with the amount which was in circulation when the drain of the coffers of the Bank was in progress, affords a strong ground of presumption that the efflux of the metals was not caused by the issues of bank-notes, however it might have been in the power of the Bank to stop the drain by a forced reduction of its paper.

5. That the argument which supposes a greater diminution of the value of the currency, during the

At a Court of Directors, 7th of June, 1804.

Resolved,—That the Bank do continue to purchase gold at 4*l.* per ounce, until the 30th of September next.

At a Court of Directors, 20th of September, 1804.

Resolved,—That the Bank do continue to purchase gold at 4*l.* per ounce, until the 1st of January next.

At a Court of Directors, 6th of December, 1804.

Resolved,—That the Bank do continue to purchase gold at 4*l.* per ounce, until the 31st of March, 1805.

At a Court of Directors, 7th of March, 1805.

Resolved,—That the Bank do continue to purchase gold at 4*l.* per ounce, for three months, from the 31st inst.

At a Court of Directors, 27th of June, 1805.

Resolved,—That the Bank do continue to purchase gold at 4*l.* per ounce, for three months, from the 30th inst.

At a Court of Directors, 26th of *March,*1807. *At the recommendation of the Committee of Treasury.*

Resolved,—That the Governor be authorized to continue to give 4*l.* per ounce for such standard gold as shall be offered to the Bank within the period of twelve months from the present time.

restriction, than is indicated by the difference between paper and gold, in consequence of the large quantity of the metals assumed to have been let loose from this country and added to the circulation of the rest of the world, if it were applicable, (which, in my opinion, it is not,) to any period of the restriction, cannot for a moment be admitted, in reference to the ten or twelve years immediately following the suspension. The reserve of the Bank being so much larger than was commonly imagined, and the amount of gold in the hands of individuals being still considerable, the sum left to swell the circulation of the rest of the world must have been the most insignificant conceivable in its effect on the general value of the metals; even supposing that effect had not been more than counter-balanced, as I believe it was, by the absorption of a large amount of specie by the military chests of the numerous armies which were on foot during the whole interval, and, for the most part, engaged in actual hostilities over a great portion of the continent of Europe. But the question of the effect which the disengagement of the metals from the circulation of this country had on the bullion prices of the rest of the world will come more properly under discussion hereafter.

6. That the phenomenon of a very low amount of

treasure, with a greatly increased amount of bank-notes, is confined to the interval of the five years from the close of 1809 to that of 1814,—the smallest amount of treasure, and the largest issues of paper, in that interval, being observable in 1814.

7. That in the three years following 1814, the cash and bullion in the coffers of the Bank experienced a most rapid augmentation, and reached an amount, at the close of 1817, larger than was ever before in possession of the Bank*.

8. That this vast influx of the metals was compatible with a larger amount of Bank of England paper, than had ever before been in circulation: thus affording a ground of presumption that the low state of treasure in the five years preceding 1815 had not originated in the increased issues of the Bank: although it may be admitted that a forced reduction of the issues of paper would have prevented so great a diminution of the treasure as occurred in those five years.

9. That the great reduction of the cash and bullion in the coffers of the Bank, in the interval from December 1817 to February 1819, (being nearly nine millions,) was accompanied by a reduction of less than half that amount of paper: leaving the amount of

* See Mr. Harman's evidence, Lords' Report, 1819, p. 37.

treasure, and the amount of bank-notes, in February 1819, as nearly as possible the same, both positively and relatively, as they had been in February 1816;—the whole intermediate increase and diminution of the circulation of bank-notes being less by about four millions than the intermediate fluctuation of treasure.

The causes of the great fluctuations of treasure, or, in other words, the circumstances operating upon the exchanges, through the medium of which the efflux or influx of the metals is determined, will be adverted to when the column of the preceding Table, exhibiting the amount of bank-notes in circulation, comes under consideration, in connexion with the exchanges and the price of gold.

Discounts.

The generally received opinion respecting this channel for the issue of bank-notes, as compared with that of advances to Government, is, that it is not only the most beneficial in extending the means of commercial enterprise, but that it is the most manageable, because, the bills having only a

short time to run, afford to the Directors the means of constant control over the amount of their issues; whereas, in the case of advances to Government, they possess no such control.

On the comparison of the advantage of these two channels for the issue of bank-notes I will not now enter. The immediate question is, how far, according to the system adopted by the Bank, the amount of the circulation was influenced by them; and whether the issues, through the medium of discounts, were, in point of fact, so regulated as to afford to the Directors the control over the amount of their paper, and to admit of their preserving it at an uniform value, either with reference to the price of gold, or to any other criterion.

According to the theory which the Directors avowed in their evidence before the Bullion Committees of 1810 and 1819, and upon which they appear to have acted throughout the period of the restriction, they considered that the demand for discounts, at the rate of five per cent. per annum on good mercantile bills, founded on real commercial transactions, and payable at short and fixed periods, was the criterion of the real wants of the circulation; and that they could not issue their notes to excess under this rule. There were, however, regulations respecting the form and nature of the bills, and the sums

allowed to be running with and upon any particular firm, which had practically some effect in modifying the application of that theory. They did not, there fore, in point of fact, act fully up to the principle which they broadly asserted ; but the rule, subject only to the modification alluded to, seems to have been adhered to, in determining the amount of the issues under this head ; and, as might be expected, the circulation tended, so far as this source of issue was concerned, to overflow, or run dry, according as the market rate of interest exceeded or fell short, in any marked degree, of the rate prescribed by the Bank.

On reference to the preceding Table, it is impossible not to be struck by the great fluctuation in the issues through this channel. From four millions, at the commencement of 1798, they rose, with few retrograde movements, till 1810, when they reached their greatest height of 20½* millions in September, 1810. From this point they fell rapidly below twelve millions in September, 1811, and fluctuated between ten and seventeen millions till March, 1816; after which, in the short space of a year and a half, viz., by the end of 1817, they fell to little more than

* The great increase of the amount of applications for discount in 1810 was connected with the violent revulsion of commercial credit in that year, originating in the extravagant speculation which had occurred in 1808.

two millions. By January, 1819, they rose again to ten millions; and there is reason to suppose, that in no long interval after the passing of Mr. Peel's Bill, (for the scale does not extend beyond the beginning of 1819,) they again fell to or below two millions.

It appears, then, that the issues of the Bank under this head, instead of being within the control of the Directors, were, by the rule of an invariable rate of discount, most unmanageable and irregular; and that if the amount of bank notes in circulation had depended exclusively on this source, it would have been liable to the most extraordinary and inconvenient fluctuations. It is the more important to dwell upon this point, because the Directors, in urging Government to a repayment of a part of the advances of the Bank, stated that such repayment was essential to their possessing the full control of their issues. They might, indeed, in strictness be said to possess the power over the supply of paper through the medium of discounts, but they made a rule of not exercising it.

The rule, however, although unsound in princi ple, did not, in point of fact, lead to great fluctuations in the total amount of the circulation of bank-notes from year to year, or to such permanent excess from progressive increase as might have

been apprehended, or as, indeed, might, and probably would, have occurred under other circumstances.

If the market rate of interest for such bills as came within the prescribed rules of the Bank had fluctuated more than it did, and had likewise on an average very materially exceeded the fixed rate of discount, and more especially if it had risen progressively during the whole period of the war, or of the restriction, not only would the fluctuations in the amount of bank-notes have been greater, but there would also have been such a constant tendency to excess through this channel of issue, as would not have admitted of compensation by diminished issues through other channels, and the total increase of the circulation would have been greater than it has proved to be. But it so happens, that the market rate of interest, for *such bills as came within the Bank rules,* did not constantly nor materially exceed five per cent.; nor did it rise progressively through the greater part of the interval of the restriction. The rate of interest for such bills was at its highest long before the termination of the war, as may be inferred from the circumstance that, in the three last years of it, the applications for discount at the Bank fell off, compared with what they had been for some years before.

The fact of a rate of interest in some degree steady at about five per cent. on this description of securities, is perfectly compatible with considerable variations in the money market for other securities. It is well known that, within these few years past, such bills have occasionally been eagerly sought by bankers and other capitalists at a rate as low as two per cent. per annum, while, on mortgages or other securities not immediately or readily convertible, advances were never to be had under four, and frequently not under five per cent. On the other hand, during the war, while bills of undoubted solidity, and at short dates, were generally discountable at about five cent., it was difficult to raise money on mortgages or on securities imperfectly or distantly convertible, on any terms but such as, by annuities, premiums, or other evasions of the usury laws, were equivalent to from six to ten per cent. per annum.

It was, therefore, the coincidence, through the greater part of the interval of the restriction, between the market and the Bank rate of interest, that prevented the tendency to progressive increase and irremediable excess of issues through this medium, which might have been apprehended if the Bank rate had been for any length of time much below the market rate.

The principal causes of the fluctuations in the

amount of discounts at the Bank down to 1816, besides those which are incidental to the growth and varying exigencies of trade, the greater or less inducement to speculation and occasional derangements of commercial credit, may be traced to the financial operations of Government.

When considerable public loans were negociated, or when Exchequer Bills, to a larger amount than usual, were issued on the money market, the immediate effect was to create a temporary absorption of floating capital, and, consequently, to occasion a temporary rise in the rate of interest. This would naturally be followed by increased applications for discount at the Bank. But in the interval of loans, or when Exchequer Bills were in less amount than usual, either by Government not issuing so many, or by the Bank taking a portion of them off the market, that is, making advances upon them, there would be diminished applications for discount.

It was a fall in the rate of interest, hastened probably by the Bank taking a large proportion of Exchequer Bills in 1816 and 1817, that occasioned an almost total cessation of the demand for discounts in the latter year. On the other hand, the repayment by Government of five millions to the Bank, out of the loan of 1818, tended, concurrently indeed with other causes, to raise the market rate of in-

terest, and accordingly it will be seen, by reference to the Table, that there was an immediate increase of the issues, through the medium of discounts, to a greater amount than the sum paid off by Government. And if the repayment by Government in 1818, had been to the utmost extent stipulated, there is every reason to believe that an increase, to at least the same extent, would, as the money market was then situated, have taken place in the issue of bank-notes through the medium of discounts, to the amount of which, upon bills coming within the prescribed rules, there was no limitation.

As long, therefore, as the Directors adhered to their rule of not limiting their issues through the medium of discounts, their call upon Government for repayment of their advances, as a means of placing the amount of the circulation within their control, involved an inconsistency, as such control could only be exercised by a departure from that rule which they had, throughout, held to be a sufficient limitation.

If, however, the Directors, had, in 1818, in order to prepare for cash payments, adopted a fresh principle of limitation, so as forcibly to keep down the amount of their issues, through that medium, to the sum at which it stood in the commencement of 1818, viz., to between two and three millions,

while the government advances were reduced by five millions, then, indeed, might the preparation for cash payments be said to be effective. Such a reduction of the circulation would, in all probability, have occasioned a rapid improvement of the exchanges. This improvement might have occurred in time to deter the Bank Directors from preferring the alternative of a parliamentary inquiry to holding out the prospect of being able to resume cash payments at any definite period, and the resumption would then have taken place without the intervention of Mr. Peel's Bill.

Such a limitation of discounts would, doubtless, have aggravated the pressure which, previous to any repayment, was felt in the commercial world *, and would have hastened the fall of prices, which, from other causes, was inevitable. And in this case, a contraction of the circulation, and a consequent earlier fall of prices, might have been attributed to a preparation in 1818, on the part of the Bank, for cash payments. But as it was, the increase of discounts rendered inoperative the repayment in 1818 by Government.

Subsequent to the commencement of 1819, the fall

* The stagnation and partial derangement of commercial credit, in this country, at the close of 1818, had been preceded by extensive failures at Paris and Amsterdam, which, independently of other causes, were calculated to produce a reaction from the facility of credit which had just before prevailed.

in the market rate of interest, from general causes, diminished the demand for discounts, and, under the system pursued by the Bank Directors, led to such a diminution of their issues under this head, as, supposing no other channel to have presented itself for their paper, would have greatly contracted the circulation. Such contraction would have been clearly the effect of the ordinary rule pursued by the Bank, and not of any preparation for cash payments. The contraction, however, as has been stated in the earlier part of this argument, did not occur, because the amount of paper issued in payment for the gold which then came in rapidly compensated the diminution of discounts. And it may be observed by the instance of 1817, that an increase of circulation, by notes issued against purchases of gold, is perfectly compatible with all the effects of high prices and appearances of prosperity which have been so generally ascribed to an abundant supply of paper circulating to the exclusion of gold.

Advances to Government.

Statements of the advances by the Bank to government have been periodically laid before Parliament,

and have therefore always been known to such part of the public as has taken any particular interest in the subject. But in the innumerable discussions to which the controversy respecting the Bank restriction has given rise, I am not aware of any instance in which the amount of advances, during the whole interval of the restriction, was placed in juxtaposition with the amount of bank-notes in circulation. It is however obvious, that a comparison of that kind is essential to a correct estimate of the influence to be ascribed to this channel for the issues of the Bank on the amount of the whole circulation. In the Bullion Report of the House of Commons in 1819 (p. 8.), there is, indeed, the following passage :—

" From the year 1790 to the year 1797, when the Restriction Act passed, the amount of advances made by the Bank to Government, and of the notes outstanding on the 25th of February in each year, was as follows :—

	Bank notes.	Advances.
1790	10,217,360	7,908,968
1791	11,699,140	9,603,978
1792	11,349,810	9,839,338
1793	11,451,180	9,066,698
1794	10,963,380	8,786,514
1795	13,539,160	11,114,230
1796	11,030,110	11,718,730

The amount, therefore, of advances to Government

does not appear to have borne, for some time previous to the Restriction Act, a much less proportion to the total amount of notes outstanding, than the advances since 1814 have borne to the notes issued in corresponding periods."

But the inference suggested by this statement would have been greatly strengthened if the comparison during the restriction, instead of being confined to the interval from 1814 to 1819, had embraced likewise the interval from 1797 to 1814*. It would then have been, as it now will be seen by a reference to the preceding Table, that the advances to Government were, during the period from the first suspension of cash payments to the termination of the war, (with the single exception of the last year of it,) on a smaller scale (relatively to the amount of bank-notes in circulation) than they had been, on an average of several years preceding the restriction or than they were during the period of peace from 1814 to 1819, to which the Table extends. But still more striking is the smallness of the advances to Government, if the comparison be, in the first instance, confined to the interval from 1797 till 1811, as in no instance did they equal, and in most cases fell considerably short of the amount of bank-notes in circulation.

* Average of advances to Government from Feb., 1797, to Feb., 1814, both dates included . .			£14,626,229
Bank-notes in circulation	do.	do.	17,600,639

But moderate as is the scale of advances to Government, as here exhibited, during the whole of the war, it would be reduced to absolute insignificance if we were to deduct from it the balances in the hands of the Bank belonging to Government—such balances being allowed on all hands to be a legitimate set-off against so much of the advances, in their effects on the issue of bank-notes*.

This comparative smallness of the advances to Government completely negatives the supposition so

* From documents laid before Parliament, in consequence of the attention called to the subject by the repeated motions of Mr. Grenfell, it appears that the amount of the Government deposits, or balances in the hands of the Bank, was as follows :—

In 1800, the aggregate average was . .	£6,251,488
In 1806, ditto	12,197,303
From 1806 to 1817, the amount fluctuated between 11 &	12,000,000
Now the average of the advances by the Bank to Government, from 1806 to 1810, both years included, amounted to	14,492,970
Average of public money in the hands of the Bank, about £11,500,000, from which are to be deducted about £500,000 for unclaimed dividends, these having been deducted from the amount of the Bank advances	11,000,000
Leaving the actual cash advance, and the amount therefore of bank-notes issued through this medium, only about	3,500,000

Or little more than one-fourth of the amount issued through the medium of discounts in the same interval.

Since the year 1816, the public balances have been diminished by about five millions, and to this extent the effective advances by the Bank, as a medium for the issue of its notes, should be considered as having been increased.

commonly entertained and reasoned upon as a point beyond doubt, that the Bank was rendered by the restriction a mere engine in the hands of Government for facilitating its financial operations. And whether this moderation in the amount of advances resulted exclusively from the forbearance of Government in not requiring, or from the firmness of the Directors in refusing such accommodation, it equally tends (especially when combined with the consideration of the large amount of treasure in possession of the Bank during the greater part of the restriction) to strengthen the presumption, that the Government and the Directors of that period were sincere in the declaration, that there constantly existed, on the part of both, a reference to the eventual resumption of cash payments.

In fact, the whole charge of an undue proportion of the issues of the Bank in advances to Government is confined to the two last years of the war, and the five years following the peace. But it will be shown hereafter, that, in the instance of by far the largest advance that was ever made, viz., in 1814, when, for a short interval, the amount reached nearly 35 millions, the increase in the circulation which it occasioned was not sufficient to check a fall in the price of gold, which was then in progress. Indeed the temporary increase of Bank paper at that precise

period, was called for to make up for the sudden deficiency in the general circulation occasioned by the failure of several considerable country banks, which occurred in July and August of 1814. And if it had not been for the additional supply of bank-notes through this channel, the whole difference would, in all probability, have been made up by a proportionate increase, through the medium of bills discounted, as was the case in 1810, under circumstances somewhat similar, with regard to the discredit of the country circulation *.

Every instance since 1814 of repayment by Government to the Bank has, in most of the publications which have of late years appeared on the subject of the Currency, been adduced as a proof, or presumption of a preparation for the resumption of cash payments. But how happens it, if such were the only view of Government, that there should have been instances of repayment of a large part of the advances, when no such view can by possibility be inferred? Take, for example, the reduction between February and August, 1805, from 16,826,000*l.* to 11,368,600*l.*, besides other instances, although not

* See the evidence of Mr. Thornton, *Lords' Report on Cash Payments*, 1819, p. 77:—" In the latter part of the year 1814, demands were made upon the Bank to supply the deficiency in the country, particularly in Northumberland and Durham.'

quite so striking, which the Table exhibits in the interval between 1797 and 1811.

It has likewise been assumed, that the urgent applications made by the Bank to Government since 1814, and especially in 1818, for a repayment of a part of its advances, were the consequence of the near approach of the terms fixed by the successive restriction acts for the eventual resumption of cash payments. But it will be seen by a statement in the Appendix, extracted from the Report of the Lords' Committee, 1819, p. 277, of the applications from the Chancellor of the Exchequer to the Bank to purchase Exchequer Bills, and of the answers of the Bank, that, upon nearly every occasion when those advances exceeded the usual amount, the applications were complied with reluctantly, and stipulations made for repayment at short intervals. It appears, therefore, that it was not merely a matter of tacit understanding, but of clear stipulation, that such repayments should be made; and it must be obvious, that they would have been made without any reference whatever to the prospect of cash payments, as soon as it suited the financial arrangements of Government to make them*. In the only instance in which the re-

* There can be no doubt that the financial arrangements of Government might and ought to have been so made, as to fulfil with the utmost punctuality, the stipulations of repayment to the Bank

payment seems to have been in the slightest degree accelerated, (for it is only a question of time,) viz., of the five millions in 1818, it has been seen that such repayment was immediately neutralized in its effect on the circulation ; and a similar consequence of a compensation by discount would have followed, if a further repayment had been made, in the state in which the money market then was. The rate of interest in 1818 was rising, or, to use the language of the money market, money was in increased demand ; partly in consequence of a commencing reaction, from the spirit of general speculation which had just before prevailed, but chiefly, as has been observed, in consequence of the great financial operations of the continental governments, especially of those of France and Russia. Of course, such demand would be *temporarily* further increased by a repayment, to however small an amount, or however effected, by our own Government, to the Bank.

Now, as the market rate of interest was already at,

Whatever occasional sacrifices were made for the preservation of punctuality in repayment, would have been amply made up by the greater solidity of the system of finance which such punctuality supposes. Indeed it would be no difficult matter to show that a positive loss was incurred in most of the instances in which the unfunded debt had been suffered to accumulate. Thus the large loans of 1812 and 1815 were made on much worse terms than if the sums required for 1811 and 1814 had been at once provided for by funding. And the same remark applies to the unfunded debt in 1817.

or rather above five per cent., any additional repayment by Government would inevitably have had the effect of greatly increasing the inducement to discount at the Bank; and as there is necessarily in existence a vast amount of Bills of Exchange, (coming within the prescribed rule of the Bank,) which are usually discounted by bankers and other private channels, or held for maturity by the payee, when money is in no particular demand, it is perfectly conceivable, that in the case supposed, so large a proportion of those bills might be sent into the Bank as would actually enlarge the circulation in a greater degree than that in which the repayment was calculated to contract it.

If the circumstances tending to keep the market rate of interest above five per cent. had been of a more permanent description, every repayment by Government, subsequently to 1818, would have been attended with a counteracting effect on the circulation, through the medium of increased discounts; and if it had then been found that the maintenance of the amount of the circulation was incompatible with a compliance with the provisions of Mr. Peel's Bill, the Bank Directors must have been reduced to the alternative of hastening the repayments by Government; at the same time, forcibly keeping down the discounts to the amount at which they were immediately before

such repayment. Or, failing of being able to obtain such repayment, they must have reduced the discounts forcibly from their former amount, or (by a deviation from the practice which they had before uniformly observed, but from which they have since, I believe, departed) have sold Exchequer Bills in the market at a discount, if the market rate of interest had been, as here supposed, at or above five per cent. Upon any of these suppositions, which were, at the time of the passing of Mr. Peel's Bill, not at all improbable, the provisions of that Bill would have been operative in reducing the circulation below what it would otherwise have been. Although, if as has been before observed, the Bill had become operative coincidently, as it might have done, with a bad harvest, and a consequent rise in agricultural produce, we should have had no complaints similar to those which have been preferred against it.

But the circumstances which raised the rate of interest in 1818 were not of a permanent character. The loans to the French, and other continental governments, and the funding by our own Government, did not cause an absorption of monied capital, as in the case of a war; they merely occasioned an alteration in the direction of it, and it was only while that alteration was in progress that they could have any influence on the rate of interest.

As soon, therefore, as the operations connected with those loans were completed, the rate of interest tended to its former level. Even in the autumn of 1819, the state of the money market had become such as would have entailed no great effort on the part of Government to make a further repayment; and there would, in all probability, have been no consequent temporary rise in the rate of interest; its further fall only might have been a little retarded: and there would not have been any increased application for discounts in consequence.

But subsequently to the close of 1819, the market rate of interest progressively declined during the following three or four years, and the repayments, which it then suited the financial views of Government to make in the reduction of the unfunded debt, were not attended by any counteracting effect on the amount of the circulation, by applications for increased discounts at the Bank. Mr. Peel's Bill was consequently inoperative, as has already been shown, in occasioning the repayments beyond those which were made in 1818, and which were compensated by increased discounts. But although thus inoperative, yet having been accompanied by a fall of prices, from causes totally distinct, (as will be shown hereafter,) it has been fastened upon as the exclusive cause of that fall.

Bank-Notes in Circulation.

In estimating the influence to be ascribed, either to the fluctuations in the amount of bank notes within short periods, or to the increase which is observable on the average in the later, as compared with the earlier stages of the Bank restriction, it is necessary to premise that the circulation was contracted in a very unusual degree in February, 1797, when cash payments were suspended. The subsequent increase of bank-notes, therefore, supposed to be occasioned by the restriction, should not be compared with the amount in February, 1797, but with the average of the five years preceding, viz. about 10,500,000*l.* It is likewise to be observed, that, down to the period of the suspension of cash payments, there were no notes in circulation in England under 5*l.* The increase, therefore, as exhibited in the preceding Table, which includes the whole amount of bank-notes in circulation, should be subject to the deduction of the notes under 5*l.*; which filled the place of the guineas that disappeared from the circulation.

A statement will be found in the Appendix, distinguishing the notes of 5*l.*, and upwards, from those *under 5l.*

In the first instance, however, I shall refer to the total amount of Bank of England notes in circulation, as contained in the preceding Table, in juxtaposition with the three principal channels through which it is issued.

If the heads of cash, discounts, and advances, comprised all the channels through which bank-notes were issued or cancelled, and if the dates in the columns under each head coincided, it is obvious that the variations in the amount of bank-notes would correspond exactly with the variations in the aggregate of the three columns. But there are no materials that I am aware of, out of the possession of the Bank, for making the dates coincide; and, moreover, there are other channels, besides those enumerated in the Table, through which the paper of the Bank finds its way into circulation. Of these, the balances of public money in the hands of the Bank form one; and the balances of individuals, to whom the Bank of England acts in the same capacity as any of the London bankers, in receiving deposits, and answering cheques, form another. There were likewise, during the restriction, advances by the Bank upon the scrip receipts of the Government loans.

The variation of the issues, through these channels alone, must occasionally have been consider-

able: sometimes proceeding in conjunction, and sometimes in compensation. Thus they will, independently of the difference caused by difference of dates, account for a great part of the discrepancies observable between the variations of the total of bank-notes in circulation, and those of the aggregate amounts under the three before-mentioned heads.

Upon an inspection of the Table, it is obvious to remark how small, from year to year, during the whole period of the restriction, were the variations of the amount of bank-notes in circulation *, compared with those under the three principal heads of issue. It follows, therefore, that these heads of issue, combined with the issues against Government and individual deposits, must have generally been under the influence of a principle of compensation.

It might, indeed, at first sight be supposed, that the Directors, having neglected the consideration of the exchanges in the regulation of their issues, had substituted for their guide a reference to the amount of their notes in circulation; and had controlled their circulation, through each of its several channels, so as to preserve a considerable degree of uni-

* The instances of the greatest sudden increase occurred in 1810 and 1814, when the enlarged issue of Bank paper was made to supply the chasm occasioned in the circulation by the failure of country banks and the stagnation of credit.

formity in the amount. But this was not really the case. The issues against deposits of the Government and of individuals, were not at all under the control of the Bank. The variations in the amount of treasure were dependent on the exchanges, which the Directors professedly disregarded, and over which they disclaimed the exercise of any influence. To the amount of discounts, provided the bills came under the prescribed regulations, and were offered at the rate of five per cent. per annum, there was no effectual limitation. And, with regard to the advances to Government, (although their total amount was moderate, to an exemplary degree, through the whole of the war,) it is well known how little reliance was to be placed upon the punctual fulfilment of the stipulated conditions of repayment. The Bank, therefore, having had so little direct control over the different channels for the issue of its paper, the approximate uniformity of the amount in circulation must have resulted from some principle of compensation inherent in the routine of the Bank, during the whole interval of the restriction.

What this principle was, and the manner in which it operated, cannot be fully explained without a more complete knowledge of the internal working of the machinery of the Bank, than the public possess.— It certainly had, however, a close connexion with

the state of the money market, or, in other words, with the rate of interest, as may be partly collected from the following extracts of the evidence of Mr. Thornton before the Lords' Committee on the Resumption of Cash Payments in 1819.—*Report*, pp. 233, 234:—

"Does not the Bank find by experience that an abundant supply of its paper, whether issued for the purchase of gold, for advances to Government, or for purchases of Exchequer Bills, by enabling bankers and merchants to discount commercial bills at a lower interest than the Bank is in the habit of discounting them, diminishes the demand upon the Bank for discounts at five per cent., and of course diminishes the amount of their profit on that part of their transactions?

"When the amount of circulation is abundant, the general rate of interest of money is low, and the demand on the Bank for discounts at five per cent. is small. I have always held it to be more advantageous to the Bank to maintain a reduced circulation, as it brings them nearly an equal profit as an extended circulation, for a great part is then advanced on Government securities at a low rate of interest.

"Does not this circumstance give the Bank a direct pecuniary interest in not making an over-abundant issue of their notes?

"I think it does."

Leaving the causes, and recurring to the fact of the absence of considerable variations in the amount of the Bank circulation from year to year, in the period under consideration, it is important to remark that it negatives the supposition of violent changes in the Currency having been produced by the Bank restriction*, and completely refutes the assertion, that

* As a specimen of the charge against the Bank restriction, of having produced violent changes in the *quantity* of the paper circulation, take the following extract from Sir James Graham on Corn and Currency, &c., p. 28.

" Mr. Pitt, when he introduced his bold measure of the Bank restriction, which rendered the paper of the Bank of England no longer convertible into cash on demand, and imposed no limit on its issues beyond the will of the Government, or the caprice of the Directors, declared, with prophetic warning[a], 'that if the country be once surcharged with paper, it would have as ruinous effects as would be produced by lessening the quantity of the paper circulation; a sudden diminution of the paper currency would prove the most violent shock which the trade and credit of this country could receive.'

" Notwithstanding this sound prediction from the author of the measure, his successors, who profess to tread in his steps, and to venerate his name, have despised the warning, have rejected the admonition, and applied the power precisely in the two modes which Mr. Pitt thought most dangerous. 'The country *has been* surcharged with paper;'— there *has been* a 'sudden diminution of the currency,' not once, but repeatedly; and exactly as Mr. Pitt foretold, each violent change, in either direction, has shaken to their foundations 'the trade and credit of the country.' "

Now, in as far as the quantity of Bank of England paper is concerned, it is quite certain that the fluctuation was not so great during the restriction as it was before the suspension, and has been since the resumption of cash payments. And as to the amount of that

[a] HANSARD'S *Parliamentary Debates*, vol. xxxiii. p. 71.

any great contraction was made, in preparation for cash payments, prior to 1818, which year I shall consider separately. But although the fluctuation in the amount of the issues of the Bank of England, *from year to year*, was so small, the increase *in the whole period, from* 1798 *to the end of* 1817, was very considerable. In notes of five pounds and upwards it was nearly doubled; and in notes of all descriptions nearly trebled. Yet at several intervals of that period, the exchanges and the price of gold *, after a great intermediate divergence from their par, exhibited a tendency to revert to it coincidently with a larger issue of bank-notes than were in circulation when the exchanges were at their lowest, and the price of bullion at its highest. And at the end of that period, viz. in 1817, the amount of bank-notes in circulation being then at its highest, the exchanges rose to par; gold fell to the Mint price, and bullion flowed into the coffers of the Bank to a greater amount than it had ever possessed since its establishment. The Bank, therefore, was in a situation, as regarded the exchanges and the state of its

part of the circulation which is exclusive of the paper of the Bank of England, it is but too well known, that the violent changes which it has experienced have not been confined to the interval of the Bank restriction. But if the uniformity of the circulation of the Bank had been greater than it was, it would not have been a compensation for the manifold evils attending an inconvertible paper currency.

* For the exchanges and price of gold, see the Appendix.

treasure, to resume cash payments, which indeed it had begun partially to do.

The fair presumption from the preceding considerations is, that if there had been no suspension of cash payments, the amount of the circulation would, in the absence of the depressing causes, or at the termination of those intervals, have been nearly, if not quite, equal to what it actually was.

This conclusion is so important, and at the same time may appear to many persons so startling, that it will be necessary for me to enter, at somewhat more length than I had intended, into the further proof of it, as afforded by several striking facts at different epochs of the Bank restriction.

In the two years immediately following the suspension of cash payments, the exchanges were so high, and the influx of bullion so great, that the Bank would, in a convertible state of the Currency, have been justified in issuing a greater amount of paper than it had then in circulation. In February 1799, the amount of bank-notes was only 12,636,145, (*including* about 1,450,000 of one and two pound notes,) while its treasure was upwards of nine millions. The price of gold was 3*l.* 17*s.* 9*d.*, and the Hamburg exchange 37.7. The Bank might then, upon the most correct principles, have increased its issues

(in any way that would have preserved its control over them) to fourteen or fifteen millions.

But in the course of 1799, and more especially towards the close of that year, there arose a combination of circumstances which entailed the necessity for the payment of *unusually* large sums abroad. The violent commercial revulsion which took place at Hamburg in the autumn of 1799, in consequence of extravagant speculations in colonial produce, required, on the part of the merchants here, an immediate transmission of funds to a very large amount. Bills to a sufficient extent to meet the exigency could not be procured, and would not, if obtained, have been negociable at Hamburg at the moment of such a suspension of credit. The only alternative was, to send bullion, which was accordingly exported (chiefly silver) in large quantities.

The harvest in this country had failed to such an extent as to require an unusually large importation of corn, which, as it was scarce on the Continent of Europe and in America, could only be obtained at very high prices. The war on the Continent was resumed on such a scale as, of itself, to create an absorption of gold and silver for the military chests; but it was, moreover, accompanied by subsidies to foreign powers from this country, which rendered our foreign expenditure unusually large.

Under these circumstances, the exchanges fell, without any previous enlargement of the paper worth mentioning, and with an actual amount of circulation *much below* what, with reference to the state of its treasure, the Bank would have been justified in issuing, previous to these occurrences. This fall of the exchanges should have warned the Directors to contract their issues. On the contrary, however, they enlarged them, for, on the 25th February, 1800, there was an increase of 2,000,000 compared with August, and of 2,600,000 compared with February preceding. An enlargement, however, to the same extent, would, in all probability, have taken place in a convertible state of the Currency, (or, if it had been enlarged, as it might have been in 1799, it would not have been contracted,) at the commencement of 1800. The proportion of treasure to the notes in circulation was still large, and the applications for discount, and for further advances to Government, were most urgent*. It is not, therefore, improbable, that the amount of bank-notes would, in February, 1800, have stood

* On similar grounds, and in circumstances in other respects singularly analogous, in 1795, the Bank, while paying in specie, extended its issues. It had likewise done so in 1781. More recently, too, in 1824, under a convertible state of the Currency, the issues of the Bank were increased in the face of a falling exchange, and a drain of treasure.

under a convertible state of the Currency, as it did under the restriction, at about fifteen millions*.

The occurrence of a second bad harvest in succession, viz. in 1800, rendered importations of corn necessary, through that year and 1801, on a larger scale than ever; and all the political causes tending to depress the exchanges were in full, or rather increased operation. Under such circumstances, a limitation of issues, at least to the amount at which they stood in the commencement of 1799, would have been expedient. Instead of contracting, the Bank was, by the restriction, enabled to keep up its circulation at a nearly uniform amount of about fifteen millions, (to which it had been increased in February 1800,) till the force of the disturbing causes which had operated upon the exchanges reached its maximum†.

The harvest of 1801 proved abundant, and preliminaries of peace with France were signed early in October of that year. The exchanges

* If the paper had then been convertible, so powerful were the circumstances operating upon the exchanges, that a considerable contraction of the circulation would have been necessary; or, if no previous enlargement had taken place, a forcible limitation to its original amount, by the Bank refusing the increased applications for discounts, and for advances to Government, in order to check the drain on its treasure, and to preserve its power of paying its notes on demand.

† The lowest quotation was, in January 1801, 29.8 on Hamburg.

thenceforward exhibited a tendency to improvement, and rose in January, 1804, to 36.4 on Hamburg, and to 25.10 on Paris, *coincidently with an increase of the Bank circulation to somewhat more than seventeen millions.* In this state of the exchanges, and with a consequent tendency to an influx of the metals, or, at any rate, with a total cessation of any inducement to the export of gold, if the Bank had not thought proper (very injudiciously, in my opinion) to give 4*l.* per ounce for gold, and thereby to establish a depreciation of its own paper to the extent of the difference between that and the Mint price, there is little reason to doubt that the price would have fallen to 3*l.* 17*s.* 10½*d.* The price of dollars did fall, in 1804, to 5*s.* per ounce. It is quite clear, therefore, that the value of the Currency of this country had been restored to a par with that of the continent.

In the interval, then, of five years, between the beginning of 1799 and the beginning of 1804, there had been an alteration in the value of the Currency of this country, compared with that of the Continent, as indicated by the exchanges, of upwards of twenty per cent.; and in the value of paper, compared with gold, of about ten per cent*.

* There is no quotation of standard gold in this interval; but foreign gold was quoted as high as 4*l.* 5*s.* per ounce.

But the value of our Currency had recovered, according to one test, completely to par, and, according to the other, to within the merest trifle of it; not only without *any contraction,* but coincidently with an *increase* of two millions of bank-notes at the end, as compared with the beginning, of that term.

Whatever, therefore, might have been the *intermediate* contraction necessary to counteract the depression of the exchanges in 1800 and 1801, if the paper had then been convertible, there *must have* been a subsequent increase of the Bank issues, till 1804, to the amount which they actually attained by that time, viz. to about 17,000,000*l**.

Between 1804 and 1807, the war between the great powers of the Continent was again renewed, and caused a further foreign expenditure by our Government. There was, moreover, in 1805, a considerable importation of corn, in consequence of the deficiency of the harvest of 1804. The exchange on

* I should say to, *at least*, that amount; because, in all probability, the intermediate contraction would have been followed, when disturbing causes had ceased to operate, by a greater and more rapid influx of the metals, and the payment in bank-notes for the extra quantity, would (other things being the same) have occasioned a temporary extension of the Bank issues *beyond* the amount which they actually reached.

Hamburg, from these causes, was depressed, towards the close of 1805, as low as 32.9*.

But as the depressing causes were far less than those before mentioned, both in degree and duration, the exchange gradually recovered to 34.10 in 1807.

This tendency to improvement continued, with trifling fluctuations, into the beginning of 1808, the exchange on Hamburg having reached 35.5 in July of that year, notwithstanding that the foreign expenditure of Government had been considerably increased, and that the issues of bank-notes had experienced no intermediate contraction worth mentioning.

From the cursory glance here taken at the state of the circulation during the eleven years ending in 1809, it appears that there were circumstances producing sudden and great fluctuations (chiefly, however, in the interval from 1799 to 1804) in the balance of payments from and to this country. But the Bank circulation, during the greater part of this interval, exhibited a gradual progress of increase; during which the exchanges

* It seems doubtful, whether, if the paper had been convertible, any material contraction would have been required on this occasion; the treasure of the Bank having been so considerable as to have admitted, without inconvenience, of an export of bullion to such an amount as to counteract the causes operating on the exchange.

and the price of gold showed a constant tendency to revert to par, whenever the force of the disturbing causes abated.

A reference, therefore, to this interval, not only negatives the charge of sudden changes in the amount of the Bank circulation, but confirms the conclusion, that, under the system pursued by the Directors, (however erroneous their theory) there was a constant tendency to a restoration of the value of the paper, without any visible effort for that purpose in the regulation of their issues.

But the circumstances which were calculated to disturb the Currency, in the relation between paper and gold, in the interval which has here been briefly sketched, between 1797 and 1808, were as nothing in extent or duration compared with those which operated between 1808 and 1814.

In the commencement of 1808, the exchanges and the price of bullion were nearly at par; the amount of bank-notes, in February, was 16,873,054*l.*: the treasure being above 9,000,000*l.*, or more than one-half the amount of the paper. In this state of the circulation great speculations arose, on an actual and prospective scarcity of imported commodities*. The effect of these specu-

* It is of importance to observe that these speculations, which began at the close of 1807, were not preceded, nor, during the greater

lations was to induce importations in the following year on a scale of unprecedented magnitude, and the payments for a considerable portion of them were, of necessity, made in anticipation. The speculations here alluded to were in progress, and had attained their greatest height, before any en-

part of their progress, accompanied by any increase in the amount of Bank paper. But the extraordinary rise of prices of nearly all commodities, in some instances of 100 to 200 per cent., could not have taken place without an expansion of country and London paper, and credit, to supply the means of successive purchases at such greatly advanced prices, while the amount of Bank of England paper remained stationary. As the speculative rise of prices was, both as to the extent of the articles it embraced, and the per centage of advance, greater than that which occurred in 1824-5, I should apply to it a computation somewhat similar to that which I had occasion to make when referring to the latter period, estimating the increase of that part of the circulation, which is exclusive of Bank of England paper and coin, viz. of private credit, to have been upwards of 50 per cent. The Bank did enlarge its circulation just before the termination of the speculation, viz. in 1809, and, so far, may be considered as having somewhat prolonged it. But if it is worthy of remark that this immense speculation, accompanied by an enormous increase of London and country paper and credit, began, and had run nearly its full career without any extension of Bank paper, it is no less so that its termination was, not only, not occasioned nor even hastened by any contraction of Bank paper, but that it was immediately preceded by an enlargement of issues of notes—the total increase of these, between the beginning of 1809, when the speculative rise of prices had reached its height, and the autumn of 1810, when the great revulsion of credit occurred, being no less than six millions. This increase, the greatest that occurred during the whole period of the restriction within the same time, was upwards of 30 per cent. upon the amount in February 1809, and upwards of 40 per cent. on the amount as it stood in August 1808; and, great as was this in-

largement took place in the issues of the Bank. There was, indeed, an inconsiderable increase between February 1808 and February 1809. But while the variation in the amount of bank-notes was thus trifling, the exchange, towards the close of 1808, fell considerably* ; in consequence, partly, of the preparations by anticipated payment for the large imports which were forthcoming in the following year, and, partly, of an increased foreign expenditure by Government.

In 1809, the causes tending to depress the ex-

crease, it was insufficient, for some time, to fill the chasm caused by the discredit of private paper. The inference, therefore, is, that the previous growth of the circulation had been more than 50 per cent.; and this instance, if there were no other, would be decisive in proof of the position to which I have so often had occasion to refer, of the susceptibility of the country and London circulation to expand and contract without any corresponding enlargement or contraction of Bank of England paper. It proves, likewise, that, as there was no peculiar facility or inducement arising out of the inconvertibility of Bank paper to the origin of so great a speculation, neither was there any security from that circumstance against its disastrous termination. The only difference seems to be, that the catastrophe might have been somewhat hastened if the Bank had contracted instead of extending its issues in 1809.

* Exchange on Hamburg, December 1808, 31.3. It may here be remarked, that the speculations, and consequent great rise of prices, had proceeded to a very considerable extent long before the slightest indication was given by the exchanges of any excess in the circulation; thus furnishing another instance, in addition to those which I had occasion to give in a former work, that an excess in the general circulation may exist for some interval before it is indicated by the exchanges.

changes operated with increased force. An import of corn, rendered necessary by the wet harvest in this country, was now superadded to the large imports, in progress, of other commodities, and the foreign expenditure of Government was further extended. At the same time, increased obstructions arose to the export of commodities, and to the negociation of bills on the Continent. The exchanges, from these causes, continued to fall rapidly, and that on Hamburg was quoted as low as 28.6 at the close of that year. Foreign gold (there is no quotation of standard gold in this year) rose to 4*l*. 11*s*., and silver (dollars) to 5*s*. 7*d*. Under circumstances operating so violently on the exchanges, the Bank, if the paper had then been convertible, must have contracted, or, at least, strictly limited its issues. But it enlarged them, though not very considerably, say by about one million at the close of 1809, and by about one million more in February 1810, when the circulation stood at 20,429,281*l*.

Notwithstanding this increase of bank-notes, a great commercial revulsion began in the summer of 1810, as a consequence of the extravagant speculations, connected with a great extension of credit, which had occurred in the two preceding years. Besides numerous and extensive mercantile failures,

no fewer than twenty-six country banks failed. The applications for discount at the Bank of England rose to an unprecedented height, and an addition was made of four millions to its circulation, making the amount, in August 1810, 24,446,175*l.*—the greatest amount which it reached before the termination of the war.

But this addition to the Bank circulation of nearly eight millions, compared with the amount in February 1808, and of six millions and a half compared with the amount in February 1809, was hardly sufficient to fill the void in the general circulation created by the diminution of banking and mercantile credit. For, notwithstanding a greatly increased import of corn, and an increased foreign expenditure, with greater obstructions than ever to exportation from this country, the exchange on Hamburg, which in 1809 had been as low as 28.6, rose, in October 1810, to 31.6; and the price of gold fell from 4*l.* 12*s.* in 1809 to 4*l.* 4*s.* 6*d.* in 1810.

It is highly probable, therefore, that although, in 1809, if the paper had then been convertible, a contraction or a coercive limitation of bank-notes might have been necessary, a great enlargement would have been required in 1810.

Between August 1810 and February 1812 a re-

duction took place to the extent of one million and a half, viz.—

from £24,446,175, August, 1810,
to .. £22,998,187, February, 1812,

(coincidently, as will be seen hereafter, with a considerable rise of prices). This reduction, however, was insufficient to check the fall of the exchanges, and the consequent rise in the price of bullion. The imports of corn, (of which the single article of wheat reached, in 1810, to the extent of 1,500,000 quarters, and made an item of no less than seven millions and a half; the average cost, including the freight by foreign ships, being at least 100*s.* the quarter,) the enlarged scale of our foreign expenditure, and the increased absorption of gold and silver by the military chests of the vast armies whose sphere of operations extended from Moscow to Cadiz, and the disposition which existed among individuals to hoard the metals, as the only means of security in the countries over which the military operations extended—these, and other circumstances, which it would be tedious to enumerate, created a constant and increasing demand for payments to the Continent, which could hardly, even if no political obstructions had existed, have been kept pace with by increased exports of com-

modities. Accordingly, notwithstanding the reduction above-mentioned, to the extent of a million and a half of bank-notes, the exchange on Hamburg fell rapidly, and reached its lowest point of depression, viz. 23.6. in 1811, and the price of gold rose to 4*l*. 19*s*.

Through 1812 and 1813 our importations of corn were greatly reduced; and in consequence of the admission of British commodities into some of the ports of the Continent from which we had before been excluded, there was an increased exportation from this country. But these circumstances, although they were sufficient to prevent the further fall in the exchanges, did not countervail the tendency to a further rise in the price of gold. The scale of the foreign expenditure of our Government was extended, not only on the Continent of Europe, but in America, in consequence of the war which then broke out with the United States*.

At the same time the absorption of the metals by the military chests, and by private hoarding, must have gone on increasing to the close of the struggle in the spring of 1814. Without any increase, ac-

* The foreign expenditure of government, in the twelve months ending in the spring of 1814, has been stated to amount to about twenty-six millions.

cordingly, worth mentioning, in the amount of bank-notes in circulation, viz.—

from £22,998,197 in February, 1812,

to . . £24,024,869 in August, 1813,

(and this increase, be it observed, did not quite raise the amount to what it had been in August, 1810,) the price of gold rose to *5l.* 10*s.*, its greatest height, at the close of 1813 *, and during the first few weeks of 1814. And this brings us to the consideration of the most decisive feature of the whole history of the Bank restriction. In February, 1814, the amount of bank-notes was increased by one million, compared with August, 1813, and stood actually higher, viz. 25,095,415*l.*, than at any period of the war.

Now it is perfectly clear that, under the circumstances which I have described, the amount of bank-notes, in the interval between 1811 and 1814, must, if the paper had then been convertible, have been greatly reduced in order to counteract the pressure on the exchanges ; but it is equally clear that, upon the removal or abatement of those disturbing causes,

* It will appear hereafter that this trifling increase of bank-notes, and this great rise in the price of gold, were accompanied by a fall of 50 per cent. in the price of wheat.

an enlargement of the circulation soon after the commencement of 1814, *might* and most probably *would* have taken place if the Bank had then been paying in specie, to the same amount as that which it actually did attain, viz. about twenty-five millions. For it appears that, notwithstanding *a further increase* of Bank issues, which took place after February 1814, the exchanges rose rapidly and (with the exception of their retrograde movement during the short but violent operation of the circumstances connected with the return of Napoleon from Elba, in 1815) progressively, till they reached their utmost height in 1816, followed by an extraordinary influx of gold. The influx of bullion continued till nearly the close of 1817, accompanied by an increase of bank-notes till the amount reached the highest point, viz. 30,099,908*l*. in August 1817, being an increase of about five millions since February 1814.

In this interval of four years, we have the converse of the circumstances which operated on the exchanges in the four years preceding. The greatest part of our foreign expenditure had ceased by the summer of 1814, renewed only for a short interval in 1815, and it was at an end altogether at the close of the latter year, by the peace with the United States. At the same time there was a great diminution in the

amount of imports, to the close of 1816, so that the payments *from* this country were greatly reduced, while the payments *to* this country were larger than usual, by the returns which were becoming due from abroad for the *increased* exports, of which a great part were speculative, and on long credits, in 1814. And as it would have required a great effort on the part of the Bank, and a departure from its rules by a forced limitation of its discounts in the last few years of the war, to counteract, by a sudden and violent reduction of its issues, the circumstances tending to depress the exchanges — so it would have required an effort and a departure from its rules, by a great and sudden reduction in its rate of discount, to counteract the tendency to a rise of the exchange above par, and to a consequent rapid influx of bullion in 1816*.

The exchanges reached their utmost height at the close of 1816, but the influx of bullion continued into 1817; and the increase of bank-notes between August 1816 and August 1817, was only commensurate with, and consequently may be considered as

* This influx of bullion was not checked by the increase of advances to Government, which, by August, 1816, had reached seven millions beyond the amount they stood at in February preceding. The discounts, it may be observed, fell off in nearly the same proportion.

having been issued only in payment for, so much gold which would otherwise have come through the Mint into circulation*.

The position of the Bank, then, in 1817, as regarded the amount of its treasure, compared with its notes, was such as it might, and in all probability would have been, if it had then been paying in specie, and if no intermediate suspension had taken place. And this position was attained without any deviation by the Directors from the rules by which they had governed their issues throughout the whole period of the restriction.

Nothing can be more destitute of, or rather contrary to, evidence, than the supposition that, upon the conclusion of peace in 1814, the prospect of the near termination of the Restriction Act induced the Bank Directors to contract their issues, in prepa-

* The Bank, indeed, paid 3*l.* 18*s.* 6*d.* per ounce for the gold, and so far acted injudiciously; it being utterly inconsistent with correct principles that it should ever pay more than the Mint price: every instance of its having so done is an imputation upon its management; but, in the present instance, the difference is hardly worth mentioning, and there can be no doubt, from the state of the exchanges, that if the Bank had abstained from giving anything above the Mint price, it would equally have succeeded in filling its coffers: for it appears by the evidence of Mr. Goldsmid (Report of the House of Commons on Cash Payments, 1819, page 4), that there were no other buyers in the market at the price which was given by the Bank.

ration for cash payments. Their discounts, till the close of 1815, were as high as they had been at any time during the war, excepting in the single year of 1810; and their advances to Government were, on the average, considerably higher than during any period of the war. There was, indeed, a repayment by Government, which reduced the advances, on the 26th of February, 1816, to about nineteen millions; but this repayment seems to have been compensated in its effect on the circulation by other sources of issue; the reduction of bank-notes at that period being the most trifling possible*. At the close of 1816 a sudden diminution of discounts took place; but this diminution was simply the effect of a fall of the market rate of interest, and not of any refusal of the Directors to discount. This diminution was compensated in its effect on the amount of the circulation by the issues of bank-notes against bullion purchased. But it may be argued that the very circumstance of the purchase of gold implies preparation on the part of the Directors for cash pay-

* The Table exhibits a reduction to 25,680,069*l.* on the 26th of February of that year; the reduction was, however, confined to that single week, for, in the week following, viz. on the 2nd of March, 1816, although nearer the quarter, the amount was 26,724,150*l.* (Lords' Report, p. 325), and had been at about the same amount in the week preceding the 26th of February, 1816, being a difference of only about 400,000*l.* compared with August 1815 or August 1816, when the advances stood at a much higher amount.

ments. Preparation, as far as relates to purchases of bullion by the Bank, it has been no part of my argument to deny; and preparation, in this sense, was made at several periods in the eleven years following the suspension of cash payments in 1797. All that I have contended for is, the negative of preparation, as consisting in a designed contraction of the circulation, for the express purpose of rendering the exchanges favourable, and forcing an influx of gold. The Directors, to the latest period of their examinations in 1819, denied the influence of their issues upon the exchanges, and made repeated declarations, both in and out of Parliament, that they had proceeded in the regulation of their issues according to their usual routine, without any designed reduction of the amount of their circulation*. These declarations are fully borne out by a reference both to the amount of the circulation and to the channels through which it was supplied; and it has been shown that the circum-

* Of the inefficacy of any regulation of their issues upon the exchanges, they recorded their conviction as late as 1819, when, in a resolution of the 25th of March, they state—"This Court cannot refrain from adverting to an opinion, strongly insisted on by some, that the Bank has only to reduce its issues to obtain a favourable turn in the exchanges, and a consequent influx of the precious metals. The Court conceives it to be its duty to declare that it is unable to discover any solid foundation for such a sentiment."

stances operating to raise the exchanges in 1815-16 were such as to render the influx of the metals irresistible under the system which had been pursued by the Bank during the whole period of the restriction.

That there was a great contraction of the general circulation in 1815 and 1816, and that this contraction co-operated with the circumstances which have been noticed, to raise the exchanges and to hasten the influx of bullion, I am quite ready to admit. This contraction, however, was not the effect of any measures of the Bank, but simply of the recoil from the great speculations which took place between the close of 1812 and the spring of 1814. These speculations had their origin in the extraordinary political and commercial changes of that period, without any immediately preceding enlargement of Bank of England paper worth mentioning, although their range was, doubtless, somewhat extended by an increase of Bank paper during their progress. But the termination of them, in the autumn of 1814, which was followed by failures, to the spring of 1816, was not occasioned by any reduction of the Bank issues; on the contrary, the revulsion of credit commenced while the Bank of England was increasing its circulation. A further and very considerable enlargement of Bank paper

took place towards the close of 1814, to supply the chasm created by the failures of the country banks. A small part of this enlarged issue was afterwards withdrawn in 1815 and 1816.

In this and in other essential respects, the state of the circulation and of credit in the interval between 1810 and 1812 was so similar to that in the interval under consideration, that it may be worth while to notice the most striking features of resemblance. In both cases the speculations of the two years preceding the revulsion had originated in the great political and commercial changes which then occurred, without any coincident enlargement of the Bank of England paper. In both cases an increase of bank notes followed the progress of the speculations, and a great enlargement of the Bank issues took place to supply the sudden chasm in the circulation created by the shock to general credit, from the failures consequent upon the disastrous termination of those speculations. In both cases, although the death-blow had been struck by the first revulsion, the parties lingered for many months after: thus the number of bankrupts*, on the average of 1811 and 1812,

* See Lords' Report on Cash Payments, 1819, Appendix, p. 426. There were no fewer than twenty-nine country banks against whom commissions of Bankruptcy were issued in 1814.

was greater than it had been in 1810; as in 1815 and 1816 it was greater than in 1814. In both cases, after the sudden enlargement of the Bank issues which had been made to meet the first great shock to credit, a part of the enlarged issues was withdrawn.

The average of Bank notes,

From July to December, 1810, was	£24,188,605
July to December, 1811,	£23,094,046
	£1,094,559
July to December, 1814, was	£28,291,832
July to December, 1815,	£26,618,213
	£1,673,619

being a reduction of four and a half per cent. in the former, and of six per cent. in the latter case; or, if the average of the first six months of 1816 be taken, viz. 26,468,283*l.*, the reduction would still be somewhat under six and a half per cent., or two per cent. only beyond that which had occurred under circumstances singularly analogous in 1811.

From a comparison, therefore, of these two periods, so strikingly similar in the most essential particulars, it seems to be just as reasonable to conclude that the great contraction of country bank notes, and of the general circulation in 1811-12, was caused by the Bank of England and

the country banks preparing for cash payments, as that such preparation was the cause of the contraction of the general circulation in 1815-16.

It has been assumed that the reduction of issues was designed on the part of the Bank of England and of the country banks, and that it preceded the fall of prices and the failure of credit*. It is however notorious, that the fall of prices, and the failures, and revulsion of credit, began *before* 1815, and necessarily entailed a great contraction of the general circulation, but more especially of the country bank issues, independent of and preceding any reduction of the Bank of England paper. To enter, however, on the question of the order of time in which the contraction of the circulation is alleged to have taken place, relatively to the fluctuations of prices and the consequent distress or

* The total misconception which prevails regarding the state of the Bank circulation, and the supposed preparations, by the Directors, in collecting gold in 1815 and 1816, cannot be better illustrated than by the following quotation from a recent publication, entitled "Free Trade in Corn, by a Cumberland Landowner, 1828," supposed to be from the pen of Sir James Graham. "The matter to which we shall next turn is the treasure kept in the coffers of the Bank of England. This treasure, from 1806 to the close of 1814, could have little or no influence upon the general currency. The Bank of England had none throughout the period. In 1815 they, however, began to collect one. In 1816, by reducing the amount of their notes in circulation, thereby forcing the country bankers to do the same, and gold being no longer in demand for the purposes of war, they were enabled to buy up a considerable sum." p. 46.

prosperity of the classes affected by them, would be to anticipate the discussion which I propose to reserve for another letter. For the present it is sufficient to observe that there was no contraction of the Bank or country circulation, that can be shown to have originated in preparations for the resumption of cash payments.

But those who argue in favour of a debasement of the currency, not satisfied with the assertion of a contraction of the Bank circulation between 1814 and 1816, in preparation for cash payments, maintain that the enlargement of the issues of the Bank in 1816, arose from an abandonment on the part of the Directors, in concert with the government, of such preparation. The Restriction Act having in 1816 been prolonged for two years, the Directors are supposed to have availed themselves of this delay, to increase the supply of paper, with a view to relieve the then existing agricultural and commercial distress. And to an enlargement of Bank of England issues hence arising, they ascribe an increase of the country circulation, a great rise of prices, and the return of prosperity*. How far that increased issue, being, as already noticed, against the purchase of an equivalent amount of

* See Mr. Attwood's speech, Parliamentary Debates, vol. vii.; also Sir James Graham's publication on Corn and Currency, &c.

gold, produced the effects ascribed to it, will be seen further on. Here I have only to examine the grounds which are alleged for the extension, and which are wholly without foundation.

It has already been seen that the Bank was, in 1817, in a position, by the amount of its treasure relatively to its circulation, extended as this was, to resume cash payments. And the Directors, so far from taking advantage of the prolonged term of the restriction, were adopting measures for anticipating it: for in the months of April and September, 1817, they actually undertook, by public notice, to pay a large proportion of their notes in coin. Instead, therefore, of their preparation for cash payments having been, as is stated, the cause of their contracting their issues, the only preparation which they did make in the interval between 1814 and the termination of 1817, was actually accompanied by an *extension* of the circulation.

Seeing, then, that there is no foundation whatever for the allegation of a contraction of the currency in that interval, as a preparation for cash payments, I shall proceed to examine whether there are any better grounds for the supposition that a reduction of the amount of the Bank issues in 1818, was the effect of renewed preparations for cash payments.

In February, 1819, there appears to have been a reduction of Bank notes to the extent of about four millions, compared with the highest amount in 1817. But, in the mean time, the Bank had, in pursuance of the notices which it published in 1817, preparatory to its intended resumption of cash payments, issued coin against its paper to a still greater amount. If the coin had remained in the country, there would have been an increase rather than a diminution of the amount of that part of the circulation which constitutes its basis. But the exchanges having become adverse in the latter part of 1817, and throughout 1818, the gold so issued was not likely to remain in circulation, and it is well known that the greatest part, if not the whole, was sent abroad. The reduction, then, in the circulation, arose simply from the Bank cancelling a part of its paper, against the issue of so much gold. The whole of the fluctuation, then, in the amount of the basis of the currency, whether consisting of Bank of England notes only, or of Bank of England notes and coin, may be thus explained.

It has been seen that the increase of Bank notes, from 1815 to 1817, was not equal to the addition made to the treasure of the Bank in that interval. Supposing, therefore, that the Bank had refused to purchase the bullion, and that the Mint had been

open so as to have returned it immediately in coin, the circulation would equally have been increased, and prices must equally have risen, and the previous distress consequently have equally disappeared, although the amount of Bank notes would have been diminished rather than increased, as compared with either 1815, or the commencement of 1816. And in this case the further effect deserves to be remarked. The bullion which had flowed in between 1815 and 1817, would, by the turn of the exchanges, have simply flowed out in 1818, and have left the amount of Bank notes at the commencement of 1819 exactly what it was at its lowest in 1815, without the intermediate enlargement of the paper. We should not then have heard of the doctrine which ascribes the whole rise of prices in 1817 to the increase, and the whole subsequent fall to the contraction of paper in 1818, preparatory, as is alleged, to cash payments.

That the whole of the contraction of Bank notes in 1818 was only equivalent to the efflux between December, 1817, and January, 1819, of a part of the bullion which had come into the Bank between June, 1816, and June, 1817, may be seen by a reference to the preceding Table. The position of the Bank was in all other essential respects the same. The advances to Government were increased in 1816 ;

but the discounts fell off in the same proportion. Government repaid five millions between August, 1818, and February, 1819; and the discounts increased by upwards of six millions. The whole of the fluctuation of the Bank issues between 1815 and 1819 being then resolvable into the variation of that part only which, on the one hand, was paid for bullion brought in, and, on the other hand, was cancelled against coin or bullion demanded, there is no more pretext for referring the difference of the Bank paper in the latter case to a preparation for cash payments, than there is for ascribing the increase in the former case to the prolongation of the restriction.

Cash payments were, in truth, virtually, if not formally, restored in 1817, without an effort, on the part of the Bank,—that is, without any departure from the rules by which its issues had been governed during the war, and in the interval after its termination. And as it appears that there was no enlargement of Bank of England paper, *except in payment for bullion*, in 1817, the fall of the exchanges which occurred in that year (but which did not become decided enough to occasion an export of the metals till 1818) cannot, with a shadow of reason, be ascribed to such enlargement of bank notes as its originating cause; the enlargement in 1817 having been merely the effect of the influx of gold,

the whole of which, on the occurrence of the peculiar circumstances, financial and commercial, between the close of 1817 and the commencement of 1819, could not be retained*.

The amount of Bank notes, when the exchanges were at their lowest point of depression in 1818, and the drain on the Bank treasure was most rapid, was as low as it had been when the exchanges were rising, and when the influx of the metals had begun, four years before; and much lower than when the exchanges had got above par, and when the influx of the metals had reached its utmost height.

We must seek, then, in circumstances independent of the Bank circulation, for the *origin* of the fall of the exchanges in the latter part of 1817 and

* At the same time, although the increased issue in August, 1817, was so far justifiable, as it was merely made against purchases of bullion, the Directors ought, at least, to have compensated it by a reduction through some other channel, seeing that the exchanges were looking down. They may plead that it was not in their power to make such reduction, inasmuch as Government would not repay any part of the advances in that year, and the applications for discounts were at their minimum. But they might, as they have since done, have sold Exchequer bills in the market, and so have hastened the rise in the rate of interest, and stopped or abated the spirit of speculation which was then manifesting itself. By this earlier rise in the rate of interest and abatement of the spirit of speculation, the further decline of the exchanges might have been prevented, and a good deal of the overtrading checked.

through 1818; and there can be no difficulty in tracing them. Foremost among them was that of the financial operations of the French and Russian governments, which were, in those two years, of unprecedented magnitude. The *temporary* rise in the rate of interest, caused by the magnitude of the loans, naturally occasioned the transmission of capital to the continent: indeed, so powerful was this single circumstance as a depressing cause, that it might be considered as of itself sufficient to account for the whole of the fall of the exchanges.

There were, however, other causes in operation tending to the same effect. The importation of corn continued to be on a large scale; and at the same time there was a great increase in the imports of almost all other articles of raw produce in 1818 *, (in order to make up for the deficient imports of 1816 and 1817,) while a great part of the exports of 1817 and 1818 were speculative, and on long credits, the returns for which were not forthcoming till 1819. Under these circumstances it is rather matter of surprise that the exchanges were not more depressed, than that they were so much depressed in 1818. At the same time there can be no doubt

* The imports of 1818 were increased in quantity, and purchased at a higher cost, in consequence of the speculative rise of that and the preceding year.

that it was in the power of the Bank of England to counteract this tendency to a depression of the exchanges and consequent efflux of bullion, by a timely *forced* reduction of its issues, whether through a limitation of discounts, or a sale of Exchequer bills. It did not adopt either measure*. It was satisfied with urging Government to a repayment of part of its advances; but so it had done on former occasions; and in this, as in some former instances, when the market rate of interest was above five per cent., the repayment made by Government was fully compensated in its effects on the circulation, by an increase of discounts. The Directors, as they have repeatedly declared in and out of Parliament, and as the facts fully show, continued to regulate their issues exactly as they had done throughout the Restriction; and in this instance (as likewise in the former ones which I have pointed out), upon the cessation of the disturbing causes in 1819, the exchanges rose, and the tide of the metals set in again into this country,

* Mr. Harman, in his evidence before the Lords' Committee on Cash Payments, 1819, page 217, in answer to the question—"Did the Bank, during any part of that period (1818), on perceiving that these large demands were made upon them of coin for exportation, deem it necessary to make any effort for counteracting that drain of their treasure, previously accumulated, by any reduction of the issues of their paper?" replied, "No; we did not make any reduction with a view of checking the export of gold and silver."

without any diminution in the amount of Bank notes, compared with what it had been at the lowest point of the depression of the exchanges, and at the highest quotation of the price of gold*.

There is, therefore, no ground for imputing any contraction of the issues of the Bank of England to preparations, *before* 1819, for the resumption of cash payments; and it has already been shown that there is as little ground for ascribing any such effect to the legislative measures *in* 1819.

* The argument, that our large foreign expenditure, combined with the obstructions to exportation caused by the war, was sufficient to account for the depression of the exchanges and the difference between paper and gold, without ascribing these phenomena to an alteration originating in the paper, has been urged with much force and ingenuity by Mr. Blake. ("Observations on the Effects produced by the Expenditure of Government during the Restriction of Cash Payments. 1823.") Mr. Blake has arrived at the same conclusion as that which I have been here contending for, viz. that the rise of the exchanges, the fall in the price of gold, and the ultimate resumption of cash payments, have been the natural consequence of the mere cessation of the disturbing causes, without any alteration of the ordinary routine of the Bank in regulating its issues, and that Mr. Peel's Bill was, therefore, inoperative. But I cannot agree with Mr. Blake when he maintains that, supposing the gold to have diverged from the paper, and not the paper from the gold, the paper could not be called depreciated. Depreciation is a term implying reference to a certain standard, and, in this case, the standard was the gold. When the paper, therefore, although it were perfectly unchanged in value with reference to other commodities, had become less valuable with reference to gold, the correct use of language obliges us to say that it was depreciated.

If my conclusion be correct, that the restoration of cash payments was brought about without any contraction of the Bank issues for that purpose, it may be asked how it can consist with the estimate of Mr. Ricardo, that a difference between three per cent. and ten per cent. in the value of the currency, was caused by that measure?

Mr. Ricardo, as far as I could collect his opinion on this point, considered the alternatives, in the event of Mr. Peel's Bill not being passed, to be an alteration of the standard to the market price of gold as it then stood; or such a regulation of the issues of the Bank as to maintain the price of gold at about the rate at which it then was. The market price of gold had varied during the agitation of the question, from £4 to £4. 2*s.* per oz.; and according as one or other of these quotations was taken, would the alternatives above alluded to have made a difference of three or five per cent. compared with the standard of £3. 17*s.* 10½*d.* per oz. Mr. Ricardo afterwards added, that the preparations of the Bank for supplying itself with gold, might have the effect of raising the value of that metal. Of the degree in which the value of gold might be raised by the purchases of the Bank, the relative price of silver would, he supposed, form some criterion.

Now, as the price of silver had fallen in the in-

terval between 1819 and 1821, relatively to gold, about five per cent.; and as Mr. Ricardo continued, I believe, to think that the Bank Directors had regulated their issues subsequently to the passing of Mr. Peel's Bill, in a manner different from that which they would have pursued if the measure had not been adopted, he was disposed to allow that the effect of the resumption of cash payments on the value of the currency might be estimated at about ten per cent. But if the resumption of cash payments was, as I have endeavoured to show, the necessary result of the system by which the Directors of the Bank regulated, and, according to their ordinary routine, would, under the circumstances as they occurred, have continued to regulate their issues, if Mr. Peel's Bill had not passed, there seems to be no reason to allow the effect upon the value of the currency to even the extent which Mr. Ricardo was disposed to admit.

If it were granted, however, for the sake of argument, that the utmost contraction contended for did take place in the amount of the circulation subsequently to the passing of Mr. Peel's Bill, whether as a consequence or not of that measure, or of any anterior preparation for cash payments, I shall, in another Letter which I propose to address to your Lordship, endeavour to show—that the assumed contraction of

the circulation did not occur in such order of time as to justify the assignment of such contraction as the originating or moving cause of the fall of prices, even supposing that there were no other adequate causes to account for it; but that the fall of prices *does* admit of being explained by circumstances affecting the supply of commodities relatively to the demand for them, independently of any alteration in the amount of the Bank circulation.

I have the honour to be,
My Lord,
Your most obedient humble servant,
THOMAS TOOKE.

Richmond Terrace, Whitehall,
January 26, 1829.

To the Right Honourable LORD GRENVILLE,
&c. &c. &c.

APPENDIX.

APPENDIX.

No. I.

Paper communicated by Mr. Pennington.

Mr. Tooke has shown that the fluctuations which took place in the value of the currency, beyond the degree indicated by the difference between paper and gold, during the suspension, and those which have occurred since the resumption of cash payments, were the result of circumstances which it was not in the power of the Bank of England to control or regulate. In describing the effect of those circumstances upon that portion of the currency which is not dispensed by the Bank of England, it was sufficient for the purpose of his argument to show that country bank notes, private paper, and credit, are susceptible of considerable increase or diminution, without a corresponding enlargement or contraction of the basis on which they rest. He does not appear to have thought it necessary to describe each particular mode in which credit, in its various forms, is substituted for currency, but has contented himself with showing that it is much more extensively employed at one period than at another.

There is, however, one modification of credit connected with the private banking establishments of London, of

which, although the explanation can add nothing to the force and correctness of Mr. Tooke's argument, it may possibly serve to place in a clearer view some of the circumstances and considerations to which he has adverted. Those establishments are commonly regarded merely as banks of deposit; and it is supposed that they cannot, under any circumstances, by enlarging or contracting the currency, affect its value.

This notion, which has long been a prevailing, and is apparently a very natural one, will be found, on examination, to be wholly incorrect. It may be shown that they are essentially banks of circulation, differing from the country banks chiefly in the mode in which their promises to pay are transferred from one person to another, and not in any material circumstances connected with the promises themselves.

In some respects, undoubtedly, they resemble the old banks of deposit—they receive and pay money on account of merchants and others, and they allow no interest upon the money lodged with them. But there is this material and important difference, that while the former are allowed to make what use they please of the money intrusted to their care, upon the sole condition of being able to discharge, with promptitude and regularity, the fluctuating and occasional demands made upon them by the depositors, the latter are not permitted to avail themselves of this advantage, but are bound to preserve, in kind, the coins and bullion deposited with them.

Of the money placed in the hands of the London bankers, the largest proportion is employed in discounting bills of exchange, in the purchase of Exchequer Bills, in advances upon stock, and on other readily convertible securities. Now, as the money so employed, although

drawn out of the hands of bankers by one set of persons, is repaid to them by another, it is obvious that the aggregate amount of money, in the hands of all the bankers collectively, will always be the same; and that their engagements, or the balances due to the merchants, traders, and others, for whom they act as bankers, will be increased by the money so repaid to them.

In order to simplify the consideration of this subject, let it be supposed that, instead of seventy London bankers, there is only one, and that this single bank engrosses all the business of the metropolis—let it be further supposed that the Bank of England notes and gold lodged with it amounted, on its first establishment, to ten millions, and that, of these ten millions, five millions were employed in the purchase of Exchequer Bills,—it is obvious that the sellers of the bills, whether the State or private individuals, would not have parted with them unless they had wanted money for the purpose of discharging a debt or of effecting a purchase—in either case, the parties to whom it was finally paid would, for their own convenience, pay it into the hands of the Bank on their own account; and thus the Bank would become repossessed of the identical five millions which it had previously lent, and the balances which it owed to its various depositors would, by this new deposit, be increased from ten to fifteen millions, of which five millions would be represented by Exchequer Bills.

In whatever degree the Bank multiplied its transactions of a similar kind, the result would be similar—every additional loan or purchase would terminate in its having the same amount of Bank of England notes and gold in its possession as before, and in its liabilities to its depositors being increased.

If we take the case of two or more bankers, instead of one, the process above described will be found essentially similar, and its effects the same. If A and B have each five millions deposited with them, and A lend two millions upon securities bearing interest, it is probable that one of the two millions will be re-deposited with A, and that the other million will be deposited with B ; A will then owe six millions, and B will owe six millions. If, afterwards, B lend two millions, it is probable that one of the two millions will be re-deposited with B, and the other mllion with A: they will then each owe seven millions; and thus the process will be continued until, together, they owe fifteen millions, of which five millions will be represented by Exchequer Bills.

Whether there are one, or two, or seventy banks, the real state of the case is still the same, the money withdrawn from one bank being always again lodged in that or in some other bank ; the total amount of Bank of England notes and coin in the hands of all the bankers, although distributed in varying proportions amongst them, is neither increased nor diminished. The more, however, they enlarge their loans, the more are the balances due to depositors augmented ; and as merchants, traders, and others, rate their command of money by the amount for which they are credited in the books of their respective bankers, these credit balances transferred, in whole or in part, from the account of one person to that of another, in the books of the bankers, perform precisely the same functions as the like amount of bankers' notes would do circulating amongst the depositors. They are transferable book-debts, convertible into the coin of the realm at the pleasure of those to whom they are due: the notes of a country banker are essentially the same thing—

the book credits of a London banker, and the notes of a country banker, are but two different forms of the same species of credit.

In the imaginary cases above stated, it is supposed that the operations of the bankers, which produce an enlargement of the currency in the manner described, take place suddenly and at once: in reality, however, they would be slow and gradual; each banker would be disposed to extend his discounts and increase his purchases by little and little, and a considerable time would probably elapse before they became of considerable magnitude.

It will, perhaps, be said that, although such a process as is here described may possibly take place when there are only two banking establishments, yet when there are so many as seventy they will operate as a check upon each other; and that, if any one of them should venture unduly to extend its discounts or its purchases, it would be warned of its imprudence by an inconvenient diminution of its cash reserve: all the cheques drawn upon this bank, for the amount of its new investments, might be paid into the hands of other bankers, and a regard to its own safety would then be an inducement to re-discount or re-sell them.

This consequence would undoubtedly ensue if the advances were hastily and injudiciously made; and it is precisely this consideration which restrains country bankers, whose circulation is in the same neighbourhood or within the same sphere, from a sudden and improvident extension of their issues. There are, in Edinburgh, five or six circulating banks, of which the notes of each are continually falling into the hands of the others. Twice a week they exchange notes with each other, and liquidate the balance arising therefrom by a payment of Bank of

England notes, or by a short-dated bill upon London, exactly upon the same principle, and with the same intention, as require the daily liquidation, at the clearing-house, of the cheques upon each other by the London bankers. If any one of the Edinburgh banks were unduly to increase its issues, a greater number than usual of its notes would fall into the hands of the neighbouring banks, and that bank would have to pay a larger balance than usual, in London money, at the period of weekly liquidation. Each is thus a restraint upon the other; and they are all obliged to manage their business with care and circumspection.

But neither the extension of the book credits of the London bankers, nor an increased circulation of country notes, ever takes place so suddenly or so largely as to create the inconvenience here alluded to. It is slowly and gradually, when credit is high and expectation on the wing, and under circumstances which encourage extraordinary speculation, that bankers are induced greatly to extend their circulation; each being persuaded that, at such a period, his competitors will pursue the same course, and, by so doing, prevent the inconvenient payment to each other of large balances, at the period of mutual liquidation.

On the other hand, during a period of distrust and difficulty, the reverse of these operations takes place. Each banker is anxious to increase his cash reserve, and to lessen the amount of his outstanding engagements. But if the amount of Bank of England notes and gold, in the hands of the seventy London bankers, collectively, remain the same, the aggregate amount of their outstanding engagements can be lessened only by parting with a portion of the productive securities in their possession.

To part with any portion of their productive securities will, upon the principle above explained, necessarily diminish the amount of the deposits. There will be less of what is called money—of what is substituted for metallic money—and the pressure and the obstruction, occasioned by this contraction of the currency, will, in all probability, continue, until fallen prices, a rise of the foreign exchange, and an influx of bullion, have restored the currency to its former level.

It may, however, be said, that the money advanced by the bankers may, very possibly, be withdrawn from them in the shape of Bank of England notes and coin, and that the notes and coin so withdrawn may be paid into the hands of those, the nature of whose business and pecuniary operations does not require the intervention of a banker; and that, whenever this happens, not only will the bankers be deprived of a portion of their cash reserves, but the aggregate amount of deposits will be lessened.

This, no doubt, would frequently be the case, if that class of persons, whose receipts and payments are of such a nature as not to require the aid and intervention of a banker, bore a large proportion, in point of numbers, to those whose business cannot conveniently be carried on without one. But, in London, by far the largest proportion of the ordinary receipts and payments are effected through the medium of the private bankers, and most of the cheques drawn upon them are, therefore, liquidated at the clearing house; few, comparatively, being paid in gold and Bank of England notes at the counter.

As this objection applies, with equal force, to the provincial and the London currency, it may be useful to examine it more at large.

Two things are necessary to the existence of a paper in the place of a metallic currency, namely :—

1. A perfect willingness on the part of the people to use paper instead of coin, as the instrument of circulation, and its equal or greater convenience for that purpose.

2. The charge of no higher a rate of interest than the current rate, by the issuers of it.

With respect to the first condition, it may be observed, that if the willingness and the convenience therein involved, should extend only to a comparatively small class of persons, no efforts of the bankers, no loans or discounts at a low rate of interest, would enable them to keep out their notes to a greater extent than the persons of that class, collectively, deemed it necessary to keep by them to answer current and occasional demands. If the issues of the paper went beyond that limit, the redundant notes would fall into the hands of the other classes of the community, and immediately be brought to the Bank for payment; they would not remain out, for the channel in which alone they can circulate is already full; they would not lower the value of the rest of the currency, for, to produce that effect, would require a considerable time; they would immediately recoil upon the bank that issued them.

But when the habitual use of paper money obtains amongst all classes of the community, and no preference, arising from convenience, caprice, or habit, of paper to coin, exists in any class—when its quantity far exceeds in amount that of the coins which circulate along with it—there will exist, so far as the internal trade of the country is concerned, no motive for its conversion. It may *then* be issued to excess, and continue in circulation suffi-

ciently long to raise general prices and depress the foreign exchange, the check arising from which will ultimately bring it down to its natural level.

It should seem therefore, that in a country of which the paper circulation is confined to the convenience of a few, and of which a very large proportion of the currency is metallic, a check, independent of the foreign exchange and the rate of interest, exists, to prevent an excessive issue; and that when the habitual use of paper money obtains amongst all classes of the community, and the coins bear but a small proportion to the paper, the only checks are the discretion of the bankers, the charge of a high rate of interest, the depression of the exchange, and the efflux of the metals.

If, in a country of which the currency is mainly metallic, a bank, similar in its plan to that of the private banking-houses of London, were established, the managers of that bank would lend at interest a large proportion of their deposits, and, by that means, lower the value of the currency, and force forth the country a sum of money equal, or nearly equal, to the amount of their loans. By this process the value of the currency would be restored to its original level. If, for instance, previously to the establishment of the bank, the currency amounted to sixty millions, and deposits were made to the extent of ten millions, the bankers might think themselves safe in lending eight millions. Those eight millions would, in no long time, be forced out of the country, and fifty-two millions (of which two millions would be the dead reserve of the bank) would perform all the functions which sixty millions had done before. It is probable that whenever it made advances in the way of loan or discount, five-sixths of those advances would

fall into the external circulation*, and one-sixth only be re-deposited: it would, therefore, be acted upon by a double check, namely, the external currency, and the foreign exchange: the operation of the first would be immediate—that of the latter slow.

But if the practice of depositing money in a bank so constituted should prevail to such an extent as to increase the deposits to fifty millions, and to reduce the external currency to ten millions, the whole currency would then consist of sixteen millions of coin (of which six millions would be the dead reserve of the bank) and fifty millions of book debts, or promises to pay. The power of the Bank to alter the value of the currency would, now, be very different from what it was in the former case. Now, whenever it made advances, five-sixths of those advances would, in all probability, be re-deposited, and one-sixth only fall into the external circulation. The check arising from the external currency would be diminished in the proportion of five-sixths to one-sixth; that arising from the foreign exchange would be the same as before; the latter, however, would be slow in its operation.

If the foregoing observations on the nature and instrumentality of the private banking establishments are correct, they may possibly serve to obviate, or, at least, to lessen some of the difficulties with which the subject of the currency has heretofore been surrounded. They will show that the money of the metropolis does not consist only of Bank of England notes and coin, but that by far the largest portion of it is formed of the trans-

* The phrase *external circulation* is here used to denote those payments which are made without the instrumentality and intervention of a banker.

ferable book debts of about seventy private banking establishments ; which book debts, although convertible into Bank notes and coin at the pleasure of those to whom they are due, are susceptible of considerable expansion and contraction, without a corresponding enlargement or diminution of the basis on which they rest.

This state of the London currency—this capability of increase and diminution of the money created by the London bankers—is productive of many important consequences. The provincial circulation, as well that part of it which consists of country bank notes, as that which consists of bills drawn upon London, is mainly dependent on it. Practically, indeed, and upon all ordinary occasions, the book debts of the London bankers, and not Bank of England notes, are the solvent of the country circulation ; and as the London currency may increase or diminish without a corresponding alteration of the Bank of England issues, so likewise may that of the country. That the variations of the latter have not been conformable to the Bank issues, is a well known fact ; that the book-credit money of the London bankers has as little been conformable to them, may reasonably be conjectured. Hence it has not unfrequently happened, that general prices have risen, and been kept at a high range for a considerable period of time, without any augmentation of the issues of the Bank of England ; and that they have frequently fallen, and been for a long time depressed, while those issues have continued uniform, or been on the increase.

No. II.

Applications from the Chancellor of the Exchequer to the Bank to purchase Exchequer Bills.

May 16, 1811. Application to purchase 2,000,000*l.*

Agreed to: on condition that the Bank be relieved from a corresponding sum within three months; and that a reduction be made, by degrees, of the amount of Exchequer bills at present held by the Bank.

Aug. 29, 1811. Application to purchase 2,000,000*l.*

Agreed to: but the Governor and Deputy Governor to communicate to the Chancellor of the Exchequer the anxious wish of the Court that he will not avail himself of any part of this credit whilst Exchequer bills can be sold in the market.

Jan. 2, 1812. Application to purchase 1,000,000*l.*

Agreed to: in full reliance that the Chancellor of the Exchequer will carry into effect the arrangement referred to in his letter, for the reduction of Exchequer bills held by the Bank.

May 19, 1812. Application to purchase 2,000,000*l.*

Agreed to: on condition that provision be made for a further reduction of the amount of Exchequer bills held by the Bank.

June 4, 1812. Application to purchase 1,000,000*l.*

Agreed to: on condition that this, as well as the two former advances of 1,000,000*l.* and 500,000*l.*, should be repaid out of the loan for the service of the year 1812.

April 1, 1813. Application to purchase, on account of the East India Company, 2,000,000*l.*

Agreed to. The Governor and Deputy Governor

to present a Statement of all Exchequer bills held by the Bank, to the First Lord of the Treasury and the Chancellor of the Exchequer, with a renewed application, that the amount may be considerably reduced out of the Ways and Means of the year.

May 20, 1813. Application to purchase 2,000,000*l*.

Agreed to: on condition that it be reimbursed out of the early instalments of the present loan; and that a further reduction in the amount of Exchequer bills held by the Bank be made, agreeably to the promise of the First Lord of the Treasury and the Chancellor of the Exchequer.

Oct. 6, 1813. Application to purchase 2,000,000*l*.

Agreed to: on condition that such arrangements be made soon after the meeting of Parliament, as will enable the Chancellor of the Exchequer to repay this sum.

May 5, 1814. Application to purchase 2,000,000*l*.

Agreed to. The Governor and Deputy Governor to state to Lord Liverpool and the Chancellor of the Exchequer the expectation of the Court, that the present and former advances made by the Bank be repaid out of the instalments of the next ensuing loan.

June 16, 1814. Application to purchase 2,000,000*l*.

Agreed to: on account of the urgent necessity of Government, under the peculiar circumstances of the moment; and also that so large a portion of the said advances is settled to be paid off out of the instalments of the present loan.

July 6, 1812. Application to purchase 2,000,000*l*.

Agreed to: but the Chairman to acquaint the First

Lord of the Treasury and the Chancellor of the Exchequer, that the Court cannot grant any further advances; and expect such arrangements may be made as shall tend to a very considerable reduction of the present enormous amount of these advances.

July 28, 1814. Application to purchase 2,000,000*l.*

Reluctantly complied with: under the assurance that every endeavour will be made to bring the advances of the Court within reasonable bounds as soon as possible.

March 19, 1815. Application to purchase 2,000,000*l.*

Agreed to: on the terms, that the repayment of the 2,000,000*l.* shall, as well as the sum specified in a memorandum, be provided for in the ensuing financial arrangements.

April 13, 1815. Application to purchase 2,000,000*l.*

Agreed to: on the terms that the 2,000,000*l.* now applied for, as well as the sum specified in the Minute of the 19th March, will be provided for in the ensuing financial arrangements.

Aug. 24, 1815. Application to purchase 2,000,000*l.*

Agreed to: upon condition that the repayment be made as soon as the public service will permit.

No. III.—An Account of the Amount of Bank Notes in circulation on the undermentioned Days; distinguishing the Bank Post Bills, and the amount of Notes under Five Pounds, with the aggregate of the whole.

		Notes of £5. and upwards.	Bank Post Bills.	Bank Notes under £5.	TOTAL.
		£.	£.	£.	£.
1797	Feb. 25	8,167,949	474,615	—	8,601,964
	Aug. 26	9,109,614	524,587	934,015	10,568,216
1798	Feb. 26	10,856,188	551,549	1,442,348	12,850,085
	Aug. 25	9,997,958	553,236	1,639,831	12,191,025
1799	Feb. 26	10,576,510	607,907	1,451,728	12,636,145
	Aug. 26	11,260,675	653,766	1,345,432	13,259,873
1800	Feb. 25	13,106,368	723,600	1,406,708	15,236,676
	Aug. 26	12,221,451	823,366	1,690,561	14,735,378
1801	Feb. 26	12,975,006	954,982	2,647,526	16,577,514
	Aug. 26	11,715,665	759,270	2,495,386	14,970,321
1802	Feb. 26	12,038,970	803,499	2,616,407	15,458,876
	Aug. 26	12,801,746	772,577	3,312,790	16,887,113
1803	Feb. 26	11,796,424	820,039	2,960,469	15,576,932
	Aug. 26	12,413,924	776,030	3,846,005	17,035,959
1804	Feb. 25	12,054,943	848,894	4,673,515	17,577,352
	Aug. 25	11,766,628	743,841	4,813,525	17,323,994
1805	Feb. 26	11,403,290	1,029,580	4,801,596	17,234,466
	Aug. 26	11,182,188	718,510	4,395,480	16,296,178
1806	Feb. 25	11,994,350	725,736	4,428,360	17,148,446
	Aug. 26	14,141,510	702,425	4,228,958	17,072,893
1807	Feb. 26	12,274,629	724,485	4,206,230	17,205,344
	Aug. 26	12,077,013	725,262	4,231,837	17,034,112
1808	Feb. 26	13,746,598	742,671	4,103,785	16,843,054
	Aug. 26	12,440,930	795,102	4,129,234	17,365,266
1809	Feb. 25	12,730,999	944,727	4,338,951	18,014,677
	Aug. 26	13,255,599	880,104	5,221,538	19,357,241
1810	Feb. 26	13,650,592	907,620	5,871,069	20,429,281
	Aug. 25	16,078,390	1,145,832	7,221,953	24,446,175
1811	Feb. 26	15,110,688	1,133,419	7,140,726	23,384,833
	Aug. 26	15,203,611	1,016,303	7,573,201	23,793,115
1812	Feb. 26	14,523,049	1,059,854	7,415,294	22,998,197
	Aug. 26	14,873,705	987,880	7,621,325	23,482,910
1813	Feb. 26	14,567,267	1,034,882	7,705,322	23,307,471
	Aug. 26	14,975,479	1,015,616	8,033,774	24,024,869
1814	Feb. 26	15.632,250	1,091,242	8,371,923	25,095,415
	Aug. 26	18,066,180	1,246,479	9,667,217	28,979,876
1815	Feb. 25	16,394,359	1,184,459	9,094,552	26.673,370
	Aug. 26	16,332,275	1,115,079	9,576,695	27,024,049
1816	Feb. 26	15,307,228	1,336,467	9,036,374	25,680,069
	Aug. 26	16,686,087	1,286,429	9,103,338	27,075,854
1817	Feb. 26	17,538,656	1,376,416	8,143,506	27,058,578
	Aug. 26	20,388,502	1,712,807	7,998,599	30,099,908
1818	Feb. 26	19,077,951	1,818,600	7,362,492	28,279,043
	Aug. 26	17,465,628	1,627,427	7,509,782	26,602,837
1819	Feb. 26	16,148,0[illegible]0			25,246,700
1820	Feb. 26	15,393,770			23,569,160
1821	Feb. 24	15,766,270			24,049,420
1822	Feb. 23	15,784,770			18,348,010

No. IV.—Prices of Gold and Silver, and Exchanges on Hamburg and Paris, to February, 1819, extracted from the Appendix to the Second Report of the Secret Committee on the expediency of the Bank resuming Cash Payments; the quotations after February, 1819, are from Lloyd's Lists,

Date.		Price of Standard Gold in Bars per oz.	Price of Standard Silver per oz.	Price of Spanish Dollars per oz.	Exchange on Hamburg. 2½ usance.	Exchange on Paris. 1 day's date.
		£. s. d.	s. d	s. d.		
1797	Feb. 24	3 17 6	5 5	5 3½	36. 0	—
	Aug. 25	3 17 6	5 2	5 0	37. 7	—
1798	Feb. 23	3 17 10½	—	4 11½	38. 0	—
	Aug. 24	3 17 10½	5 1	5 0	37. 3	—
1799	Feb. 22	3 17 9	—	5 1	37. 7	—
	Aug. 23	3 17 9	—	5 2½	34. 0	—
1800	Feb. 28	—	—	5 7	31. 4	—
	Aug. 22	4 5 0 F	—	5 7	32. 2	—
1801	Feb. 27	4 4 0 F	—	5 10	31. 7	—
	Aug. 25	—	—	5 10	31. 6	—
1802	Feb. 26	4 3 6 F	5 11½	5 9	32. 2	—
	Aug. 27	—	5 6	5 3½	33. 2	23.10
1803	Feb. 25	—	5 7½	5 5	34. 4	24. 8
	Aug. 26	—	—	—	32.10	23.16
1804	Feb. 24	—	—	5 7	34. 8	24.14
	Aug. 31	4 0 0	—	5 1½	35.10	25. 4
	Oct. 19	4 0 0	—	5 0	35. 8	25. 2
1805	Feb. 26	4 0 0	—	5 4	35. 8	25.12
	Aug. 27	4 0 0	—	5 3½	35. 5	25.12
	Nov. 26	—	5 9½	5 7	32. 9	25. 4
1806	Feb. 25	—	—	—	34. 2	24.12
	Aug. 26	—	—	—	34. 5	24. 7
1807	Feb. 27	—	5 8	—	34.10	24.10
	Aug. 28	—	—	5 5	34. 2	24. 6
1808	Feb. 26	—	—	5 3	34. 6	23. 6
	Aug. 26	—	—	5 5	35. 2	23.16
1809	Feb. 28	4 10 0 F	—	5 3	31. 0	20.19
	Aug. 22	—	—	5 5½	29. 4	20. 1
1810	Feb. 27	—	—	5 6	29. 0	19.16
	Aug. 28	—	—	5 8½	30. 9	21. 6
1811	Feb. 26	4 13 6 F	—	5 11	25. 0	17.16
	Aug. 30	4 17 6 F	6 2	6 0	25. 6	18. 2
1812	Feb. 28	4 15 0	—	6 1	28. 0	19.16
	Aug. 28	—	—	6 3½	28. 9	19. 5
1813	Feb. 26	—	—	6 6	30. 0	20.80
	Aug. 27	—	—	7 0	26. 6	18.80
1814	Feb. 22	5 8 0	6 11½	—	29. 0	21. 0
	Aug. 23	4 11 0 F	5 8½	—	32. 0	22.80
1815	Feb. 28	4 9 0	5 11½	5 10	32. 2	22. 0
	Aug. 25	—	—	5 7	32. 6	22. 0
1816	Feb. 27	4 2 0	5 4	5 3	34. 8	24 60
	Aug. 27	3 19 0	—	4 10½	36. 9	25.80
1817	Feb. 28	3 18 6	5 1	4 11	36. 7	25.40
	Aug. 22	4 0 6	—	5 2	35. 0	24.30
1818	Feb. 27	—	5 4½	5 5	34. 0	24. 0
	Aug. 25	—	—	5 5	34. 6	24.35
1819	Feb. 19	4 1 0	5 7	5 7	33.11	23.85
	Aug. 3	3 18	5 2	—	35.11	25.10
1820	Mar. 3	3 17 10½	5 1½	—	36. 4	25.20
	Aug. 1	3 17 10½	5 0	—	37. 6	25.80

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